



# **ANNUAL BUDGET FOR 2017/2018 MTREF**

---

**2017/18 to 2019/20**

**Medium Term Revenue and Expenditure  
Framework (MTREF)**

# Table of Contents

<b>Glossary .....</b>	<b>4</b>
-----------------------	----------

## PART 1 – ANNUAL BUDGET

Section 1 – Mayor’s Budget Speech .....	7
Section 2 – Budget Related Resolutions .....	15
Section 3 – Executive Summary .....	17
Section 4 – Annual Budget Tables .....	41

## List of Tables

Table 1 Consolidated Overview of the 2017/18 MTREF .....	21
Table 2 Summary of revenue classified by main revenue source .....	24
Table 3 Operating Transfers and Grant Receipts .....	25

## MTREF 2017/2018 – 2019/20

Table 4 Comparison of 2016/2017 levied to proposed rates for 2016/17 ... ..	28
Table 5 Proposed Water Tariffs .....	30
Table 6 Comparison current vs. new electricity charges.....	32
Table 7 Comparison between current sanitation charges and increases .....	34
Table 8 Comparison between current waste removal fees and increases .....	35
Table 9 Household bill .....	36
Table 10 Summary of operating expenditure by standard classification item.....	38
Table 11 Operating repairs and maintenance .....	42
Table 12 Repair and Maintenance by asset classification .....	43
Table 13 Medium term capital budget per vote .....	47
Table 14 - Budgeted Summary .....	51
Table 15 - Budgeted Financial Performance (by functional classification) .....	53
Table 16 - Budgeted Financial Performance (revenue and expenditure by municipal vote) .....	54
Table 17 - Budgeted Financial Performance (revenue and expenditure) .....	55
Table 18 - Budgeted Capital Expenditure by vote, standard classification .....	57
Table 19 – Budgeted Financial Position .....	59
Table 20 - Budgeted Cash Flows .....	61
Table 21 - Cash backed reserves/accumulated deficit reconciliation .....	62
Table 22 - Asset Management .....	63
Table 23 - Basic service delivery measurement .....	67
Table 24 – Reconciliation between the IDP strategic objectives and budget revenue..	82
Table 25 – Reconciliation between the IDP strategic objectives and budget operating expenditure.....	83
Table 26 – reconciliation between the IDP strategic objective and budgeted capital expenditure.....	84
Table 27 – Measurable performance objectives .....	88
Table 28 – performance indicators and benchmarks .....	89

Table 29 – Expenditure on transfer and grant programmes .....	99
Table 30 – Reconciliation between of transfer, grant receipts and unspent funds .....	100
Table 31 – Summary of councillor and staff benefits .....	101
Table 32 – Salaries, allowance and benefits (political office bearers/councillor/senior managers.....	102
Table 33 – Budgeted monthly revenue and expenditure .....	103
Table 34 – Budget monthly revenue and expenditure (municipal votes) .....	104
Table 35 – Budgeted monthly revenue and expenditure (functional classification).....	105
Table 36 – Budgeted monthly capital expenditure (municipal vote) .....	106
Table 37 – Budgeted monthly capital expenditure (functional classification) .....	107
Table 38 – Budgeted monthly cashflow .....	108

## **SUPPORTING DOCUMENTS**

Overview of the annual budget process .....	68
Overview of alignment of annual budget with IDP .....	73
Measurable performance objectives and indicators .....	85
Overview of budget related policies .....	93
Overview of budget assumption .....	95
Overview of budget funding .....	97
Monthly targets for revenue, expenditure and cashflow .....	103
Annual budget and SDBIP .....	109
Capital Expenditure details.....	110
Legislation compliance status .....	111
Other supporting documents.....	112

## **Annexures**

- Annexure 1 - Main Budget Tables version 6.1
- Annexure 2 – Supporting budget tables version 6.1
- Annexure 3 - Three prior years outcome and current year
- Annexure 4 – circular and guilines
- Annexure 5 – Tariffs for 2017/2018

## Glossary

**Adjustments Budget** – Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

**Allocations** – Money received from Provincial or National Government or other municipalities.

**AFS**- Annual Financial Statements

**Assessment Rates** - Local Government tax based on the assessed value of a property.

To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

**Budget** – The financial plan of the Municipality.

**Budget Related Policy** – Policy of a municipality affecting or affected by the budget, examples include tariff policy, rates policy and credit control policy.

**Capital Expenditure** - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's Statement of Financial Performance.

**CRR** – Capital Replacement Reserve. A cash reserve set aside for future capital expenditure.

**Cash Flow Statement** – A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

**CFO** - Chief Financial Officer

**DORA** – Division of Revenue Act. Annual legislation that shows the total allocations made by National to Provincial and local government.

**Equitable Share** – A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

**EPWP** – Expanded Public works Programme.

**FFC** – Financial and Fiscal Commission.

**Fruitless and wasteful expenditure** – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

**GIS** – Geographic Information System.

**GFS** – Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

**GGP** – Gross Geographic Product

**GRAP** – Generally Recognised Accounting Practice. The new standard for municipal accounting and basis upon which AFS are prepared.

**IDP** – Integrated Development Plan. The main strategic planning document of the Municipality

**ISDF** – Integrated Strategic Development Framework - The 20 year framework linking technical, financial and economic planning.

**KPI's** – Key Performance Indicators. Measures of service output and/or outcome.

**MEC** – Minister in Executive Committee (Province).

**MFMA** – The Municipal Finance Management Act – No. 53 of 2003. The principle piece of legislation relating to municipal financial management.

**MTREF** – Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous three years and current years' financial position.

**MPAC** – Municipal Public Accounts Committee.

**MSCOA** – Municipal Standard Chart of Accounts

**NERSA** – National Electricity Regulator of South Africa.

**NT** – National Treasury.

**NDPG** – Neighbourhood Development Partnership Grant.

**Net Assets** – Net assets are the residual interest in the assets of the entity after deducting all its liabilities. This means the net assets of the municipality equates to the "net wealth" of the municipality, after all assets were sold/recovered and all liabilities paid. Transactions which do not meet the definition of Revenue or

Expenses, such as increases in values of Property, Plant and Equipment where there is no inflow or outflow of resources are accounted for in Net Assets.

**Operating Expenditure** – Spending on the day to day expenses of the Municipality such as salaries and wages.

**R&M** – Repairs and maintenance on property, plant and equipment.

**SDBIP** – Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

**Strategic Objectives** – The main priorities of the Municipality as set out in the IDP.

Budgeted spending must contribute towards the achievement of the strategic objectives.

**SCM** – Supply Chain Management.

**Unauthorised expenditure** – Generally, spending without, or in excess of, an approved budget.

**Virement** – A transfer of budget.

**Virement Policy** - The policy that sets out the rules for budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by Council through an Adjustments Budget.

**Vote** – One of the main segments into which a budget is divided. In Kgatelopele Local Municipality this means at directorate level.

## 1. MAYORAL BUDGET SPEECH

Honourable Councillors, Distinguish guests, Ladies and Gentlemen, today marks the 1<sup>st</sup> term of office for the current Council, and what a remarkable journey this transpires to be. Tabling of this budget today is the pinnacle of everything that we as a Council collectively with our predecessor have and ought to achieve over these five years.

The 2017/2018 medium term budget we are considering here today attempts to strike a balance between improving service delivery and responding to the developmental challenges confronting Kgatelopele Municipality.

This budget comes at a time when the country is facing financial tough times. Every day we are bombarded by news that paints a very bleak picture for the next couple of years.

All spheres of government need to reduce wasteful expenditure by putting cost containment measures in place that curb excessive expenditure. It is our duty as the current council to comply with the prescripts set out in the legislative guidelines/ regulations such as Municipal Finance Management Act 56 of 2003, Circular No 82 dealing with cost containment. We have cut cost on the following areas: catering services, travel costs, consultant fees and special projects as part of compliance.

Honourable Councillors and members of the public, the budget presented today have undergone rigorous cost cutting measures to ensure that we only focus on those items that would ensure that we provide the services to our community. Our day to day operational costs have been narrowed down to essentials key services.

The total budget that provides for both capital/operation amounts to **R95 713 000.00** to assist with the opportunity to improve our service delivery performance and infrastructure challenges. I realise that the maintenance of infrastructure has pushed our rates and tariff increase to 6,4% for all other service and 1,8% for electricity. This is to ensure that there's sustainable provision of services to the community, and the increase is in line with the guidelines. I appeal to residents and ratepayers who can afford to partner with us by paying their services, to enable us to fulfil our developmental agenda.

As mayor I will commit myself to ensure every rand is stretched and that we all do more with less. Productivity of our work force and operational efficiency will be top of my agenda.

I would like to extend my sincere appreciation to all those residents and businesses who continue to sustain this municipality by paying for their services, mainly because without

these payments the Kgatelopele Municipality cannot provide you with basic services. I thus encourage everyone to be responsible ratepayers and consumers by paying their accounts on or before their due dates.

Honourable councillors and members of the community as you are aware, I have recently been through an extensive public participation process, and have requested inputs on both the IDP and budget through mediums such as notices, web pages and loud hailing. Many of our rate payers and consumers have commented on both the IDP and the budget, let alone those minor instances where we did encounter challenges in relation to disruption of meetings and other matters of personal interest, however we managed to engage with members of the communities and I would like to touch on a few issues that have been raised but will respond officially to all input once all councillors have had the opportunity to consider and respond to all input received.

#### **IDP Status:**

Hon. Councillors the Integrated Development Plan (IDP) is a strategic document of the municipality that guides development. The community consultations were planned and took place of course with challenges. Attempts were made also to align the IDP & budget. The top five priorities as identified by the broader community are:

- Land: Relates to settlement for housing need, social needs such as churches
- Water & Sanitation: On this aspect, in particular the bulk services some progress has been registered as I will detail later.
- Electricity: Relates upgrading of the electricity infrastructure to guarantee sustainable supply.
- Roads & Transport: Need to address our access roads
- Local Economic Development (LED): Relates to SMME'S support & development, employment creation, skills development.

#### **“The recommended tariff increase of 6.4% is unacceptable”**

Many comments were received stating that the 6.4% increase is unacceptable, the majority of which were verbal comments in the exact wording but were without recommendation on what should be taken out of the budget in order to reduce the 6.4% increase.



It is very difficult to deal with such comments when no alternatives are presented. However, I am still of the opinion that we need to impose the 6.4% increase in order to deal with many of the service delivery issues facing us.

**“Salary Increase should not be considered”**

This point is raised during every budget period and the response will always remain that local government salary increases are part of a central bargaining process and we are legally forced to abide by the decision of the South African Bargaining Council. The issue regarding increasing the productivity of our staff will however be a matter high on my agenda.

**“Maintenance budget is inadequate and other operating expenditure needs to be cut to increase the maintenance budget”**

The maintenance and the capital budget over the past years has been a greatest concern. It is clear that both need to be drastically increased to protect our assets and provide the services as expected by the public. The reason for the increase recommended is to address these issues.

**“The municipality ignores National Treasury recommendations regarding increases”**

The municipality does not ignore the guidelines set by National Treasury but one has to be realistic when dealing with electricity increases, petrol price increases and fixed cost increases that can't be avoided.

The guidelines issued by National treasury is issued to all municipality and municipalities are however still required to ensure that the budget they set will ensure the municipality can continue to operate as a going concern.

It would be irresponsible of the municipality to Implement National Treasury guidelines when it knows that by doing so the municipality will face serious financial problems.

Honourable Councillors, I would be negligent if I did not reflect back on the journey over the past years of council.

Through Local Economic Development and Social Labour Planning we render dedicated assistance to local communities with regards to the role being played by our three mining sectors. The establishment of appropriate structures for the development of local economies, registration of cooperatives and capacity building of SMME's. Rolling out of projects which involves the development of the McKenzie Street for the upgrading of access roads to the pavement management systems, upgrading of electrical systems

and networks, development of a multi-purpose sports field, water infrastructure projects for the development of the water reservoir, mobile clinic for provision of health care services, community bursaries, community skills development programmes, etc.

### **Procurement of Services/Goods:**

As political leadership, we have emphasised the importance of supporting and building local contractors through procurement in particular on infrastructure projects. It is our position that every tender from the municipality if is of greater grading as per the construction requirements must subcontract 30% of the construction value to local contractor. And this condition will be extended to our development partners the three mines and others. No 30% local subcontracting, no implementation. In our view this is how we will realise real empowerment of some of our local contractors, either than paying lip service to empowerment.

### **Waste collection services currently provided by a service provider in**

**Johannesburg will be localised**, as it is our view that some of our local SMME'S may be in a position to render this service. The contract will be broken into two segments to accommodate two qualifying local contractors. We hope that those service providers don't disappoint us but ensure that the service rendered is even improved to effective and efficiently serve our communities.

Furthermore, we are busy with the legal process to ensure the development of a new landfill site and this will ensure our compliance with environmental legislations. We wish to encourage our communities to take care of their environment by not dumping waste everywhere. Let us love our environment.

We are going to strive together with our partners (Mines & Solar energy providers) in the coming year 2017/18 **to provide indigent households with waste bins to ensure proper disposal and collection of waste**. This project will be implemented in phases as our estimation of **indigents is about 1500 plus**.

### **Land Development and Dolomite State of our municipal area:**

Land need for settlement and other social needs such as churches remain one of the top priority raised by our communities. However, the dolomite state of our area constrains our positive response to this need. We have together with COGHSTA commissioned the second phase of investigating alternative suitable land to address this very same need. Outcome of the study expected around October 2017 and will be shared with our communities.

### **Bulk Services Provision:**

While we are faced with a challenge of dolomite, we strategically focused on upgrading our bulk services to enable sustainable provision of services to our communities.

**Bulk Water:** we have in the financial 2016/17 completed the construction of water reservoir which guarantee the provision of water in the long term taking into consideration growth.

### **Sanitation/Sewer:**

Upgrading of Wastewater Treatment works/Oxidation ponds is the prioritised infrastructure project for implementation in the 2016/17 and 2017/18. We have in the past been find to not comply by the Department of Water & Sanitation, as the facility is operating beyond its maximum capacity. By implementing this project, we will ensure compliance and sustainable services. In the coming years 2018/19, the intention is to do away with drainage suction and connect those 200-300 plus households to the network. However, upgrading of the treatment works must take place first.

### **Informal Settlement:**

Members of the community and honourable councillors, informal settlement in our areas cannot be neglected in the provision of basic services i.e water and sanitation. Hence through our partnership with Jasper Solar Project we have managed to provide water within a radius of 50m way below the regulated standard of 200m, this demonstrate our commitment to service all our communities.

It is our commitment once again that we are going to strive to provide sanitary facility in order to restore the dignity of our people.

We however, wish to indicate that the provision of these are for temporary nature until alternative suitable land for settlement is identified, where each household can be provided with such services. And meant to restore dignity.

The municipality wishes to undertake other projects during this coming financial year 2017/18 such as:

- Refurbishment of water service infrastructure.
- Formalisation and the extension of the existing cemeteries.
- Creation of job opportunities through different programmes.

The above-mentioned undertakings will put emphasis on the importance of economic growth along with its social infrastructure, land development and security as identified to be the top tier of the municipal identified priorities.

The current minister of Finance Mr Melusi Gigaba further alluded on the objectives of radical economic transformation, namely:

- To accelerate economic growth in an inclusive and sustainable path
- To achieve much higher levels of employment creation and decent work opportunities
- To reduce inequality substantially and
- To ensure meaningful black participation in ownership, control and management of the economy.

Hence these priorities have also found manifestation in the National Development Plan which emphasises inclusive growth in terms of our social programmes, action plans, promotion of agriculture and rural development, skills and training initiatives, investment in housing and municipal services with due consideration of the dolomitic nature of our environment and opportunities for all in order to broaden economic participation.

### **On the Audit Outcome:**

The 2015/16 financial year was also the year when our predecessor and the current council achieved a qualified audit opinion from the Auditor General.

Although we are very proud and excited about these achievements, after years if disclaimers this is indeed a wonderful achievement and we have to celebrate, it is

moderated slightly by the struggles of our municipality to ensure that they comply with the MFMA regulations to achieve the same results for the outer years, but it has been alluded and proved to show improvement and we are working steadily towards ensuring that our financial audits will change to a positive. According to the Provincial Auditor General, it has been highlighted that municipalities have challenges with instability or vacancies in key positions such as Corporate Services Manager, Chief Financial Officer and Technical Manager. This inadvertently led to non-compliance with the MFMA to meet key deadlines.

In terms of the 'back to basics' approach the municipality needs to be on track with the pillars as identified by the approach in order to be well within the acceptable levels regarding areas such as the delivery of basic services through the support of the District Municipality both financially as well as technically. The extent of their support and investment in service delivery to our communities can only be seen in the allocations made to us as local municipalities for infrastructure development and for operation and maintenance.

Grants and subsidies are still our biggest source of income and we are at R35 205 000 for the 2017/18. The dependency on grants and subsidies influences our expenditure and the major grant funding that Kgatelopele Municipality is receiving from national government is as follows:

- Equitable share – R18 974 000
- Finance Management Grant – R2 345 000
- Water Services Infrastructure Grant – R4 000 000
- Municipal Infrastructure Grant (MIG)- R8 099 000
- EPWP (Extended Public Works Project)- R1000 000
- MSIG (Municipal Systems Improvement Grants)-R787 000

With the little that we receive as the local municipality, the focus will be to ensure that we improve the lives and living conditions of the Kgatelopele community that we were elected to serve.

In closing, my only hope is that we can continue with the utilisation of any sort of engagement in the future with our respective stakeholders. I am well aware that we may

not be able to address all matters to your satisfaction as the community but know that you are working endlessly with us gives confidence for the future.

I also want to sincerely thank all Councillors, the Municipal Manager, the Head of Departments/ Managers, officials, stakeholders and members of the public who gave input to this process. The credit is shared by all who played a role in tabling this budget. On behalf of Council I want to thank each and every one for their hard work and dedication.

**Thank You. Re Leboga. Baie Dankie.**

## **2. COUNCIL RESOLUTIONS**

1. The Council of Kgatelopele Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

1.1. The annual budget of the municipality for the financial year 2017/18 and the multi-year and single-year capital appropriations as set out in the following tables:

1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification)

1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote)

1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type)

1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as

1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

1.2.1. Budgeted Financial Position

1.2.2. Budgeted Cash Flows

1.2.3. Cash backed reserves and accumulated surplus reconciliation

1.2.4. Asset management

1.2.5. Basic service delivery measurement

2. The Council of Kgatelopele Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2017:

2.1. the tariffs for property rates

2.2. the tariffs for electricity

2.3. the tariffs for the supply of water

2.4. the tariffs for sanitation services

2.5. the tariffs for solid waste services

3. The Council of Kgatelopele Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2017 the tariffs for other services, as set out in to respectively.
4. To give proper effect to the municipality's annual budget, the Council of Kgatelopele Local Municipality approves:
  - 4.1 That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.



### **3. EXECUTIVE SUMMARY**

#### **Introduction**

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainable, economically and equitably to all communities

There is an overall decline in global economic growth, with rating agencies declaring South Africa to junk status. The South African economy is facing severe challenges with economic growth of less than 1%, high unemployment, extreme inequality, rising crime, the impact of the worst drought in decades and business confidence at its lowest levels in 23 years. The deterioration of the Kgatelopele Local economy still continues in line with the overall South African economy

The budget for the financial year 2017/18 reflects the strategy and priorities of the Kgatelopele Local Municipality within those of the Province of the Northern Cape as well as the priorities and strategies of the National Development Plan and the strategic thrusts as enunciated by Minister Pravin Gordhan in his position paper on local government summarised in the slogan "Back to Basics".

Changes in policy and direction cannot simply happen overnight. This budget is a significant shift in Council thinking whilst maintaining at all times a synergy with the Constitutional requirements of local government in respect of basic services and within the general guidelines of National Treasury guidelines.

On 22 April 2014, National Treasury published a regulation on the Standard chart of Accounts (mSCOA) that will have a profound effect on the business of local government. This reform is not limited to a financial reform, but a business reform as a whole. It is the largest reform since the promulgation of the Municipal Finance Management Act in 2003

The following are extracts from the preamble to the regulations:

*“Section 216 of the Constitution of the Republic of South Africa, 1996, provides that national legislation must prescribe measures to ensure transparency and expenditure control in each sphere of government by introducing generally recognised accounting practice, uniform expenditure classifications and uniform treasury norms and standards.”*  
*“These Regulations propose segments and a classification framework for the standard chart of accounts to be applied in local government in similar form to that implemented for national and provincial government departments. In order to enable the National Treasury to provide consolidated local government information for incorporation in national accounts, national policy and other purposes, it must obtain financial information from individual municipalities.”*

The regulations contain amongst others, segment and classification framework for mSCOA, minimum business process and system requirements and responsibilities of municipal councils and accounting officers.

The segments classification consists of the following:

*Funding segment* – This segment relates to the various sources of funding available to municipalities and municipal entities for financing expenditure relating to the operation of the municipality and provides for both capital and operational spending.

*Function segment* - This segment provides for the classification of the transaction according to the function or service delivery objective and provides for the standardisation of functions and sub-functions across local government.

*Municipal Standard Classification Segment* - This segment provides for the organisational structure and functionality of an individual municipality, which is not prescribed.

*Project Segment* - This segment provides for the classification of capital and operating projects on the basis of whether it relates to a specific project and if so, the type of project.

*Regional Indicator Segment* - This segment identifies and assigns government expenditure to the lowest relevant geographical region within which the intended beneficiaries of the service or capital investment are located.

*Item Segment* - This segment provides for the classification of item detail in the presentation of the financial position, performance and cash flow according to the nature of the transaction either as revenue, expenditure, asset, liability or net asset.

*Costing Segment* - This segment provides for a classification structure for secondary cost elements with reference to departmental charges, internal billing etc. and acts as a cost collector in determining inter alia total cost of services.

This 2017/18 Budget therefore places emphasis on sound financial management principles and inclusive growth, as well as a progressive programme of capital expenditures. This Budget also relies on practice of good governance and a public ethic that values honesty and fairness. If we act together, on these principles, as public representatives, civil servants, business people, youth, workers and citizens, we can overcome the challenges of tough economic times and difficult adjustments.

The application of sound financial management principles for the compilation of Kgatelopele Local Municipality's financial plan is essential and critical to ensure that Kgatelopele Local Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities. Kgatelopele Local Municipality's business and service delivery priorities were reviewed as part of this year's planning and budgeting process. Where appropriate, funds were transferred to address crucial service delivery needs and to ensure compliance with legislative requirements and to meet service delivery obligations. The current year adjustment budget is reflective of this principle and supports the municipality's quest for financial sustainability and providing quality services to the community.

Kgatelopele Local Municipality will embark on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers and to ensure that all revenue due is billed correctly and collected efficiently.

Furthermore, Kgatelopele Local Municipality will be undertaking various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring true community participation.

National Treasury's MFMA Circular No. 85 and 86 were used to guide the compilation of the 2017/18 MTREF.

The main challenges experienced during the compilation of the 2017/18 MTREF can be summarized as follows:

- The slow recovery from the economic downturn that is still hampering growth and development not only locally but provincially and nationally.
- Revenue recovery from cost reflective core municipal services
- Limited available own funding to fund much needed infrastructure.
- Population growth placing a strain on infrastructure and housing needs.
- Ageing and poorly maintained water, roads and electricity infrastructure;
- Service delivery vehicles are very old and are breaking down more regularly and subsequent repair cost is gradually on the increase year after year.
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Maintaining a positive cash flow.
- Availability of affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the

- The 2016/17 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2017/18 annual budget; where appropriate a zero base approached has been to some extent used.
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of refuse removal and the continued escalation in the fuel price. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the

- necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- Circular 82 of National Treasury's guidelines on cost containment, the following cost saving measures were applied:
  - Restructuring of the personnel structure to decrease consultant fees and overtime costs.
  - No borrowing initiatives taken;
  - Principle of 0% increase in non-core general expenses unless valid motivations dictate.
  - Subsistence and travel cost
  - Catering and entertainment

In view of the aforementioned, the following table is a consolidated overview of the proposed 2017/18 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2017/2018 MTREF**

	<b>Adjustment Budget year 2016/2017</b>	<b>Budget year 2017/2018</b>	<b>Budget year +1 2018/2019</b>	<b>Budget year +2 2019/2020</b>
Total Operating Revenue	R 81 735	R 83 614	R 87 620	R 91 496
Total Operating Expenditure	R 81 301	R 83 324	R 87 225	R 91 099
Surplus	R 434	R 291	R 394	R 397
Total Capital Expenditure	R 21 607	R 12 099	R 10 291	R 23 638

Total operating revenue has grown by 2.30% or R 83.614 million for the 2017/18 financial year when compared to the 2016/17 Adjustments Budget. For the two outer years, operational revenue will increase by 4.8% and by 4.26% respectively, equating to a total revenue growth of R 9.761 million over the MTREF when compared to the 2016/17 financial year adjusted budget.

Total operating expenditure for the 2017/18 financial year has been appropriated at R 83,324 million and translates into a budgeted surplus of R 12,390 million after taking into consideration capital transfer and subsidies. When compared to the 2016/17 Adjustments Budget, operational expenditure has grown by 2.5% in the 2017/18 budget. The surplus will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The budget for Kgatelopele Local Municipality amounts to approximately R 95.713 million. This constitutes R12, 09 million for capital expenditure and R 83, 324million for operating expenses. It is more than the adjusted budget approved for 2016/17, which was R 81,301 million for operating expenditure and less for capital expenditure which was at R 21,60 million which was adjusted during the financial year after the reallocation.

#### **4. OPERATING REVENUE FRAMEWORK**

For Kgatelopele Local Municipality to continue improving the quality of life of its communities through the delivery of quality services, it is necessary to generate sufficient revenue from rates and service charges. It is also important to ensure that all billable revenue is firstly correctly charged and secondly adequately collected. The prevailing economic circumstances are adding to the difficulties in collecting the revenue due to the municipality and additional savings initiatives will need to be implemented in the MTREF to ensure the financial sustainability of the municipality. The expenditure required to address the needs of the community will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Revenue enhancement and maximizing the revenue base;

- Efficient revenue management, which aims to ensure a minimum 70.0% annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Moving towards cost reflective tariff increases for water, sanitation and refuse collection;
- Budgeting for a moderate surplus to ensure availability of cash reserves to back statutory funds and provisions.
- Fully subsidizing all indigent households in terms of the relief offered by the municipality
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA); Increased pressure to deliver and maintain services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality

The following table is a summary of the 2017/18 MTREF (classified by main revenue source

**Table 2 Summary of revenue classified by main revenue source**

**NC086 Kgatelopele - Table A4 Budgeted Financial Performance (revenue and expenditure)**

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousand</b>	<b>1</b>										
<b>Revenue By Source</b>											
Property rates	2	3 453	9 194	8 007	13 930	13 930	13 930	–	14 165	14 970	16 060
Service charges - electricity revenue	2	13 214	31 941	18 265	20 977	20 978	22 278	–	22 411	24 951	25 000
Service charges - water revenue	2	6 117	–	7 317	7 620	7 620	8 920	–	7 921	8 390	8 472
Service charges - sanitation revenue	2	3 840	–	4 359	3 505	3 505	4 805	–	4 324	4 589	5 066
Service charges - refuse revenue	2	5 356	–	5 885	5 694	5 694	6 994	–	6 170	6 537	6 995
Service charges - other		–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment		321	235	159	98	142	142	–	137	143	150
Interest earned - external investments		1 136	102	234	167	167	167	–	216	229	230
Interest earned - outstanding debtors		–	254	606	109	109	109	–	175	185	189
Dividends received		7	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits		24	8	20	25	25	25	–	1 018	1 076	1 100
Licences and permits		–	–	–	14	14	14	–	53	56	60
Agency services		–	717	2 494	204	204	204	–	700	740	770
Transfers and subsidies		34 295	21 405	24 096	22 465	20 145	20 145	–	23 042	23 802	25 126
Other revenue	2	1 856	421	242	3 792	4 002	4 002	–	2 981	1 952	2 277
Gains on disposal of PPE		–	–	–	–	–	–	–	300		
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>69 619</b>	<b>64 277</b>	<b>71 684</b>	<b>78 600</b>	<b>76 535</b>	<b>81 735</b>	<b>–</b>	<b>83 614</b>	<b>87 620</b>	<b>91 496</b>

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. The increase in revenue of 6.4 per cent represents the tariff increase for rates, water, sanitation and refuses revenue, with an increase in 1.88% for electricity. Rates and service charge revenues comprise 65.7% of the total operating revenue mix. In the 2016/2017 financial year, revenue from rates and services charges totalled R 56.927m. This decreased to R 54.992 million, R 59.439 million and R 61.594 million in the respective financial years of the MTREF. The seemingly reduction in revenue is attributed to the change in budget presentation for free basic services (cost and revenue cost of FBS) whereby National Treasury indicated that



all relief and subsidies to indigent and poor households be reflected as a reduction to revenue and not reflecting any expense in this regard.

The second largest source is operational grants from national and provincial government, after service charges, property rates is the third largest revenue source which has shown growth over the MTREF, followed by 'other revenue' which consists of various items such as income received from permits and licenses, building plan fees, connection fees, advertisement fees etc. Departments delivering these services have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related. Some revenue categories indicate distorted trends between 2014/15 and 2015/16 as indicated by rentals, licenses and other revenue.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

**Table 3 Operating Transfers and Grant Receipts**

<b>LOCAL GOVERNMENT MTEF ALLOCATIONS: 2017/18 - 2019/20</b>				
	2017/18 R thousands	2018/19 R thousands	2019/20 R thousands	
<b>B NC086 Kgatelopele</b>				
<b>Direct transfers</b>				
Equitable share and related	18 974	20 479	21 904	
Fuel levy sharing				
<b>Infrastructure</b>	12 099	10 291	23 638	
Municipal infrastructure grant	8 099	8 291	8 494	
Integrated national electrification programme (municipal) grant		2 000	2 500	
Regional bulk infrastructure grant			12 644	
Water services infrastructure grant	4 000			
<b>Capacity building and other current transfers</b>	3 345	2 600	2 600	
Local government financial management grant	2 345	2 600	2 600	
Expanded public works programme integrated grant for municipalities	1 000			
<b>Sub total direct transfers</b>	34 418	33 370	48 142	
<b>Indirect transfers</b>				
<b>Capacity building and other current transfers</b>	787	-	-	
Municipal systems improvements grant	787			
<b>Sub total indirect transfers</b>	787	-	-	
<b>Total</b>	35 205	33 370	48 142	
<b>Transfers from Provincial Departments</b>				
<b>Municipal Allocations from Provincial Departments</b>	723	723	622	
of which				
<b>Sports, Arts and Culture</b>	723	723	622	
Library Services	723	723	622	
<b>Total: Transfers from Provincial Departments</b>	723	723	622	

## **Tariff Setting and Tariff Implications of the Annual Budget**

Tariff-setting is a pivotal and strategic part of the compilation of any budget.

When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges within CPI. Municipalities should justify in their budget documentation all increases in excess of the CPI upper boundary of the South African Reserve Bank's inflation target. Circular 72 stated that, if municipalities continue to act in this manner that increase tariff above inflation, the National Treasury will have no other option but to set upper limits of tariff increases for property rates and service charges to which municipalities will have to conform.

Excessive increases are likely to be counterproductive to economic growth and development, resulting in higher levels of non-payment. The 1.88 percent increases in the average Eskom bulk purchase price as indicate on NERSA consultation paper on tariff benchmarking.

Other factors contributing to the rising cost include the anticipated collectively agreed upon wage increase which is above upper boundary, the excessive increase in the price of petrol and diesel as well as chemicals, spares and other materials that collectively contribute to the extent that tariffs needs to be increased annually.

### **4.1 Property Rates**

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. This is the last year of the current valuation roll, the assessment rates decrease yearly, the upward adjustment in revenue can mainly be ascribed to the changing in a variety of categories. A moderate, below inflation increase of 6.4% in the assessment rates tariff is none the less proposed for the 2017/2018 financial year.

The following stipulations in the Property Rates Policy are highlighted:

- The first R 15 000 of the market value of a property used for residential purposes is exempted from the rate-able value (Section 17(h) of the MPRA). Additionally the Municipality also further provide for residential properties an R 25 000 as non-ratable, therefore the total non-rateable value for residential properties is R 40 000.
- 100% rebate will be granted to registered indigents in terms of the Indigent Policy, based on the maximum usage as contained in the policy.
- The Municipality may also award a 100% rebate on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work and public benefit organizations as defined in the property rates policy of the municipality. The owner of such a property must apply to the Chief Financial Officer in the prescribed format and at the prescribed date in order to qualify for the relief.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2017/18 financial year based on a 6.4% increase from 1 July 2017 is contained below:

**Table 4 Comparison of 2016/2017 levied to proposed rates for 2017/18**

		UNIT	Tariff 2016/2017 (Excl VAT)	Rounded off to nearest cent
			R c	Tariff 2017/2018 (Excl VAT) R c
PROPERTY RATES				
Residential properties		Stand	0.008845	0.009411
Industrial Properties		Stand	0.017690	0.018822
Business & Commercial Properties		Stand	0.013268	0.014117
Farm Properties used for:				0.000000
Agricultural purpose		Farm	0.002828	0.002353
Business & commercial purpose		Farm	0.002828	0.003009
Residential purpose		Farm	0.002828	0.003009
Other purpose		Farm	0.002828	0.003009
Farm Properties not used for any purpose		Farm	0.002828	0.003009
State owned properties		Stand	0.007076	0.007529
Municipal properties - Exempted		Stand	0.000000	0.000000
Public Service Infrastructure - Exempted		Stand	0.000000	0.000000
Privately owned towns serviced by the owner		Stand	0.007076	0.007529
Formal & informal Settlements		Stand	0.000000	0.000000
Communal Land (S1 Communal Land Right Act 2004)		Stand	0.000000	0.000000
State Trust Land		Stand	0.000000	0.000000
Properties acquired through Provision of Land Assistance Act 126				0.000000
of 1993, or Restitution of Land Rights Act 22 of 1994 which				0.000000
subject to the communal Property Associations Act 28 of 1991				0.000000
Listed Protected Areas - Exempted		Stand		0.000000
Properties on which National Monuments are Proclaimed - Exempted on approval of application		Stand		0.000000
Properties owned by Public Benefit Organisations used		Stand		0.000000
for benefit of listed in the 9th schedule to income tax act				0.000000
Blocks of Flats			0.008845	0.009411
Mining			0.017690	0.018822
Churches - Exempted				0.000000
Small Holdings		Stand	0.007076	0.007529

## 4.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it does with electricity, since demand growth outstrips supply. Consequently, National Treasury is

encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of
- purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2014.

South Africa is in the midst of its worst drought in at least two decades, threatening agricultural output and pushing up food prices. At the beginning of the financial year 8 province were declared drought disaster zones, allowing for a coordinated national response. In the 2016/2017 financial year, Kgatelopele Local Municipality concluded the bulk water project that for the construction of a water reservoir. However, maintenance of infrastructure and cost-reflective tariffs will ensure that the supply is managed in future to ensure sustainability.

Tariff increases as from 1 July 2017 are indicated in Table 6. The 6 kℓ free water per 30-day period has since 2014 only been granted to registered indigents.

A summary of the proposed tariffs for households (residential) are as follows:

**Table 5 Proposed Water Tariffs**

TARIFFS 2017/2018				
		UNIT		
			Rounded off to nearest cent	Rounded off to nearest cent
			Tariff 2016/2017 (Incl VAT) R c	Tariff 2017/2018 (Incl VAT) R c
WATER				
Domestic households				
Tariffs Applied for:				
Block 1 (0-6 kl) 6	1+	kL	6.94	7.3860
Block 2 (7 -25 kl) 18	1 +	kL	7.78	8.2765
Block 3 (26 - 50 kl) 24	1+	kL	8.93	9.5026
Block 4 (>51 kl)	1+	kL	10.62	11.2980
Basic Charge (inclusive of basic charge per borehole)		Stand	86.77	92.3256
Basic Charge (Indigents ) (0-6 kl)	0 - 6 kL Free	Stand	86.77	
Basic Charge (Vacant)		Stand	260.33	276.9913
Business				
Tariffs Applied for:				
Block 1 (0-6 kl)	1+	kL	8.68	9.2399
Block 2 (7 -25 kl)	1 +	kL	9.73	10.3492
Block 3 (26 - 50 kl)	1+	kL	11.15	11.8673
Block 4 (>51 kl)	1+	kL	13.27	14.1152
Basic Charge (inclusive of basic charge per borehole)		Stand	260.33	276.9913
Basic Charge (Vacant)		Stand	780.97	830.9563
Industrial				
Tariffs Applied for:				
Block 1 (0-6 kl)		kL	10.43	11.0937
Block 2 (7 -25 kl)		kL	11.66	12.4074
Block 3 (26 - 50 kl)		kL	13.39	14.2466
Block 4 (>51 kl)		kL	15.93	16.9470
Basic Charge (inclusive of basic charge per borehole)		Stand	260.33	276.9913
Basic Charge (Vacant)		Stand	780.98	830.9593
Tanker:				
12 000 lt Water tanker		km	As per AA Tariffs	As per AA Tariffs
Plus per 12kl		kL	88.35	94.0042
6 000 lt Water tanker		km	As per AA Tariffs	As per AA Tariffs
Plus per 6kl		kL	41.68	44.3455

The tariff structure of the 2016/17 financial year has not been changed

## **Sale of Electricity and Impact of Tariff Increases**

NERSA has announced the revised bulk electricity pricing structure. An 0.31% increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2017. Considering the Eskom increases, the consumer tariff had to be increased by 1.88% to offset the additional bulk purchase cost as well as recover the additional cost components such as the increase in the wage bill, general expenditure and increased maintenance and material cost for the 2017/2018 financial year. Considering the increases based on the consultation paper, the overall tariffs will be adjusted to 1, 88%, for units consumption.

The previous years above average increase in electricity prices may result in a downward trend in the average consumption patterns of consumers in an attempt to mitigate the effect of the increased cost of electricity resulting in a negative impact on the municipal electricity revenue.

Registered indigents as well as sub-economic consumers will again be granted 50 kWh per month free of charge.

The following table shows the impact of the proposed increases in electricity tariffs for domestic consumers:

**Table 6 Comparison between current electricity charges and increases (Domestic)**

TARIFFS 2017/2018				
		UNIT		
			Rounded off to nearest cent	Rounded off to nearest cent
			Tariff 2016/2017 (Incl VAT) R c	Tariff 2017/2018 (Inc VAT) R c
ELECTRICITY				
Domestic Households (Prepaid)				
Tariffs Applied for:				
Block 1 (0-50 kWh)	1+	kWh	0.95	0.9705
Block 2 (51-350 kWh)	1+	kWh	1.22	1.2471
Block 3 (351-600 kWh)	1+	kWh	1.73	1.7674
Block 4 (>600 kWh)	1+	kWh	2.04	2.0760
Basic Charges		Per Meter	18.39	18.7455
Basic Charges (Indigent) - Only for first prepaid meter	50 kWh free units	Per Meter	FREE	FREE
Basic Charges (Indigent) - Second, third ,etc. prepaid me	No free units	Per Meter	18.41	18.7525
Domestic Households (Conventional)				
Tariffs Applied for:				
Block 1 (0-50 kWh)	1+	kWh	0.95	0.9705
Block 2 (51-350 kWh)	1+	kWh	1.22	1.2471
Block 3 (351-600 kWh)	1+	kWh	1.73	1.7674
Block 4 (>600 kWh)	1+	kWh	2.04	2.0760
Basic Charge		Stand	249.10	253.7836
Basic Charge on Vacant Stands		Stand	346.07	352.5759
Business (Commercial)				
Business Prepaid Single Phase	1 +	kWh	2.12	2.1601
Business Prepaid Three Phase	1+	kWh	2.12	2.1601
Business Conventional Single Phase	1+	kWh	1.96	1.9977
Business Conventional Three Phase	1+	kWh	1.96	1.9977
Basic charge Conventional		Stand	276.30	281.4905
Basic charge Prepaid		Per Meter	276.30	281.4905
Basic Charge on Vacant Stands		Stand	812.97	828.2520
Industrial				
Energy	1 +	kWh	1.86	1.8936
Demand KVA Meters (per KVA)	1 +	KVA	170.47	173.6790
Basic Charge Conventional & Prepaid		Stand	587.78	598.8322
Basic Charge on Vacant Stands		Stand	812.97	828.2520
Schools				
Energy	1 +	kWh	1.73	1.7654
Basic Charge Conventional		Stand	249.10	253.7836
Basic Charge Prepaid		Per Meter	247.62	252.2746
Temporary Connections	1 +	kWh	121.18	128.9376
Re-Connection Fee (Conventional Meters)		Normal	730.00	776.7189
		Urgent	795.00	845.8819
		After hours	994.00	1 057.6162
Re-Connection Fee (Prepaid Meters)		Indigent	100.00	106.4009
		Normal	150.00	159.6013
		Business	1 000.00	1 063.9964
Installation Test Meter		Installation	200.49	213.3233
Replacement Padlocks - Cost + 15%		Padlock	COST + 15%	COST + 15%
New Electricity Conventional Meter Installation - Single Phase		Connection	COST + 15%	COST + 15%
New Electricity Conventional Meter Installation - Three Phase		Connection	COST + 15%	COST + 15%
Prepaid Meter Installation Fee		Connection	COST + 15%	COST + 15%
Extra Meter Readings			200.49	213.3233
Wiring Inspection Fees		Inspection	539.15	573.6573
Conversion from Conventional Meter to Prepaid Meter Single Phase	Single Phase	Conversion	1 385.00	1 473.6372
Conversion from Conventional Meter to Prepaid Meter Three Phase	Three Phase	Conversion	3 359.30	3 574.2899
Tampering Fee (First offence) + Average consumption for 12 months		Fine	535.00	648.9336
Tampering Fee (Second offence, etc.)		Fine	6 760.00	8 199.6124



The stepped tariff for electricity as previously proposed by NERSA has continued. Tariffs have been adjusted to 1,88%, for units consumption across the different brackets of the sliding scale. The municipality will maintain the current stepped structure for the electricity tariffs.

The reduced tariffs for prepaid meters, compared to conventional meters, will continue as in the past.

The challenge regarding the inadequate electricity bulk capacity in the Kgatelopele Local Municipality area and the impact on service delivery and development still persists and is a focus area the municipality is working on addressing.

The proposed budget for the Electricity Division provision has been made for the conversion of 250 conventional meters to smart prepaid meters, which will serve as a pilot for curbing electricity losses through the use of smart meter which detect tampering.

### **Sanitation and Impact of Tariff Increases**

A tariff increase of 6.4 per cent for sanitation is proposed from 1 July 2017.

This is based on tariff increases related to inflation increases as mentioned earlier in this report. The municipality embarked on capital project to upgrade the sewage system in the 2016/2017 financial year which will continue in the 2017/2018 financial year, through grant funding. This will ensure the municipality improves on the delivery of the service and reducing the number of septic tanks that need suction on a regular basis.

The following factors inform the proposed tariffs:

- Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;
- Tariff structure comparability research was undertaken by the Infrastructure & Planning directorate, where it was found that the current tariff structure compares very favourably, towards the consumer, against tariff structures locally and international; and
- Free sanitation will be applicable to registered indigents.

The following table compares the current and proposed tariffs:

**Table 7 Comparison between current sanitation charges and increases**

TARIFFS 2017/2018				
		UNIT		
			Rounded off to nearest cent	Rounded off to nearest cent
			Tariff 2016/2017 (Incl VAT) R c	Tariff 2017/2018 (Incl VAT) R c
SEWERAGE				
Residential / Government / Churches / PBO		Point	138.15	146.9911
Flats		Unit	138.15	146.9911
Business / Guesthouses / Hotels / Industrial	The Greater of Per 100m <sup>2</sup>	100m <sup>2</sup>	236.42	251.5469
	or	Point	236.42	251.5469
	or	Unit	236.42	251.5469
Septic Tank		per month	138.15	146.9911
		ad-hoc	436.26	464.1823
Sewerage Connection New		Connection	COST + 15 %	COST + 15 %

## **Waste Removal and Impact of Tariff Increases**

The financial performance of the solid waste services is improving in terms of a turnaround of the minor deficit budgeted for in 2016/17 and it is expected to operate marginally above breakeven.

Services relevant to refuse removal, refuse dumps and solid waste disposal mechanisms must comply with stringent legislative requirements such as the National Environmental Management: Waste Act, No 59 of 2008. This service will receive further revision of the solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term.

An increase of 6.4 per cent in the waste removal tariff is proposed from 1 July 2017. Higher increases are not viable at this stage owing to the increases implemented in preceding financial years to ensure sustainability of this service.

The following table compares current and proposed amounts payable from 1 July 2017:

**Table 8 Comparison between current waste removal fees and increases**

TARIFFS 2017/2018				
		UNIT		
			Rounded off to nearest cent	Rounded off to nearest cent
			Tariff 2016/2017 (Incl VAT) R c	Tariff 2017/2018 (Inc VAT) R c
REFUSE REMOVAL				
Basic Charge Residential		Stand	117.97	125.5190
Basic Charge Residential (Indigent)		Stand	0.00	
Basic Charge Business		Stand	249.05	264.9926
Basic Charge Industrial		Stand	249.05	264.9926
Basic Charge Government		Stand	249.05	264.9926
Garden Refuse Removal		Load	145.83	155.1618
Building Rubble		Load	434.20	461.9928
Illegal Dumping			342.97	364.9232
Basic Charge Residential (Vacant)		Stand	353.92	376.5715
Basic Charge Business and Other (Vacant)		Stand	747.15	794.9633
Churches - exempt				0

### **Overall impact of tariff increases on households**

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

**Table 9 MBRR Table SA14 – Household bills**

NC086 Kgatelopele - Supporting Table SA14 Household bills

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18 % incr.	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Rand/cent											
<b>Monthly Account for Household - 'Middle Income Range'</b>	1										
<b>Rates and services charges:</b>											
Property rates		241.60	254.89	272.73	290.73	290.73	290.73	6.4%	309.34	330.99	354.82
Electricity: Basic levy		101.21	112.37	126.08	135.71	135.71	135.71	6.4%	144.40	155.80	167.02
Electricity: Consumption		1 061.84	1 178.96	1 322.79	1 423.85	1 423.85	1 423.85	1.9%	1 450.62	1 565.22	1 692.01
Water: Basic levy		53.71	56.66	60.29	64.27	64.27	64.27	6.4%	68.38	73.16	79.16
Water: Consumption		121.77	128.47	136.69	145.71	145.71	145.71	6.4%	155.04	165.89	179.50
Sanitation		97.57	102.94	110.15	117.42	117.42	117.42	6.4%	124.93	133.68	144.64
Refuse removal		69.56	73.39	78.53	83.71	83.71	83.71	6.4%	89.07	95.30	103.12
Other		–	–	–	–	–	–	–	–	–	–
<b>sub-total</b>		<b>1 747.26</b>	<b>1 907.68</b>	<b>2 107.26</b>	<b>2 261.40</b>	<b>2 261.40</b>	<b>2 261.40</b>	<b>3.6%</b>	<b>2 341.77</b>	<b>2 520.05</b>	<b>2 720.27</b>
VAT on Services											
<b>Total large household bill:</b>		<b>1 747.26</b>	<b>1 907.68</b>	<b>2 107.26</b>	<b>2 261.40</b>	<b>2 261.40</b>	<b>2 261.40</b>	<b>3.6%</b>	<b>2 341.77</b>	<b>2 520.05</b>	<b>2 720.27</b>
<b>% increase/-decrease</b>			<b>9.2%</b>	<b>10.5%</b>	<b>7.3%</b>	<b>–</b>	<b>–</b>	<b>3.6%</b>	<b>7.6%</b>	<b>7.9%</b>	
<b>Monthly Account for Household - 'Affordable Range'</b>	2										
<b>Rates and services charges:</b>											
Property rates		241.60	254.89	481.50	513.28	513.28	513.28	6.4%	546.13	584.36	626.43
Electricity: Basic levy		101.21	112.37	126.08	135.71	135.71	135.71	6.4%	144.40	155.80	167.02
Electricity: Consumption		1 061.84	1 178.96	2 833.05	3 049.50	3 049.50	3 049.50	1.9%	3 106.83	3 352.26	3 623.80
Water: Basic levy		53.71	56.66	60.29	64.27	64.27	64.27	6.4%	68.38	73.16	79.16
Water: Consumption		121.77	128.47	710.75	757.66	757.66	757.66	6.4%	806.15	862.58	933.31
Sanitation		97.57	102.94	110.15	117.42	117.42	117.42	6.4%	124.93	133.68	144.64
Refuse removal		69.56	73.39	78.53	83.71	83.71	83.71	6.4%	89.07	95.30	103.12
Other		–	–	–	–	–	–	–	–	–	–
<b>sub-total</b>		<b>1 747.26</b>	<b>1 907.68</b>	<b>4 400.34</b>	<b>4 721.54</b>	<b>4 721.54</b>	<b>4 721.54</b>	<b>3.5%</b>	<b>4 885.88</b>	<b>5 257.15</b>	<b>5 677.48</b>

## 5. OPERATING EXPENDITURE FRAMEWORK

The Municipality's expenditure framework for the 2017/18 budget and MTREF is informed by the following:

- Balanced budget constraint (cash operating expenditure should not exceed cash operating revenue) unless there are sound reasons for utilising existing uncommitted cash-backed reserves to fund any deficit;
- The repairs and maintenance plan relating to the asset management strategy;
- Funding of the budget over the MTREF as informed by Section 18 and 19 of the MFMA;
- Very limiting growth in the personnel structure;
- Reducing expenditure on non-core programmes;
- Implementing operational gains and efficiencies;
- Strict adherences to the principle of no project plan no budget. If there is no business plan no funding allocation will be made; and
- Taking cognisance of cost containment guidelines and assessing the status of current measures

The following table is a high level summary of the 2017/18 budget and MTREF (classified per main type of operating expenditure):

**Table 10 Summary of operating expenditure by functional classification item**

**NC086 Kgatelopele - Table A4 Budgeted Financial Performance (revenue and expenditure)**

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1										
<b>Expenditure By Type</b>											
Employee related costs	2	14 189	18 246	21 023	31 237	27 765	27 765	-	28 308	30 007	31 807
Remuneration of councillors		2 122	2 192	2 481	2 564	2 362	2 362		2 348	2 489	2 639
Debt impairment	3	5 640	10 321	-	3 951	3 951	3 951		5 774	6 103	6 345
Depreciation & asset impairment	2	11 154	12 858	3 280	4 509	4 509	4 509	-	9 018	9 532	10 066
Finance charges		-	210	66	245	245	245		-	-	-
Bulk purchases	2	12 756	13 716	15 204	17 673	15 536	15 536	-	17 423	18 416	19 447
Other materials	8	1 442	1 518	1 516	1 607	1 940	1 940		2 069	2 187	2 210
Contracted services		3 409	3 191	3 911	7 033	7 237	7 237	-	6 328	6 689	7 063
Transfers and subsidies		-	-	-	4 531	9 117	9 117	-	-	-	-
Other expenditure	4, 5	8 399	14 327	12 530	10 448	8 639	8 639	-	12 055	11 803	11 522
Loss on disposal of PPE		-	-	-	-	-	-	-			
<b>Total Expenditure</b>		<b>59 111</b>	<b>76 579</b>	<b>60 011</b>	<b>83 798</b>	<b>81 301</b>	<b>81 301</b>	<b>-</b>	<b>83 324</b>	<b>87 225</b>	<b>91 099</b>

The budgeted allocation for employee related costs and remuneration of councillors for the 2017/18 financial year totals R30, 657 m which equals 37 per cent of the total operating expenditure and within the NT norm of 25 – 40 per cent. A new three year collective SALGBC salary agreement came into effect on 1 July 2015. Salary increases, according to the agreement, have been determined at 7,36% for the 2017/18 financial year, based on the average inflation for the period February 2016 to January 2017, with a minimum inflation rate of 5% plus 1%. This salary determination and annual notch increases for qualifying personnel have been factored into the budget for the 2017/18 financial year and at 6% for the two outer years of the MTREF.

As part of the Municipality's cost reprioritisation and cash management strategy vacancies have been significantly rationalised downwards. In order to ensure economic viability and to not overstretch the already limited financial resources, cash management this percentage of employee related cost in relation to total budget need to be maintained at less than 40%. Only the positions that are critical for service delivery and effective and efficient administration must be budgeted for the 2017/2018 financial year. These positions in Finance, technical and IT mainly where work that is currently done by

consultants or service providers in order to build internally capacity. The latter is in line with National Treasury advocacy on use of external service providers.

New regulations have been promulgated, which regulations provide for the Minister of Co-operative Governance to determine the total remuneration packages payable to any new employees to the posts of Municipal Manager and Section 57 Employees (Directors), with effect from 1 July 2014.

The cost associated with the remuneration of councillors is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The proclamation with regard to the 2016/2017 increases was published during January 2017, but not yet implemented due to affordability and cash flow constraints. No indication for 2017/18 has been received to date and therefore the increase is based on previous determinations which was not implemented, has been factored into the budget for 2017/18.

The provision of debt impairment and write-off of bad debts for consumer accounts has been determined based on the Debt Write-off Policy of the Municipality. For the 2017/18 financial year this amount equates to R 5 773 805.76 for impairment slightly higher than 2016/2017 financial year budgeted amount, no write off were done in the current financial year. Based on the fact that debt belonging to organs of state, mines and businesses were part of the impairment amount in the Annual Financial Statements, thus a lower debt impairment budgeted for the 2017/2018 financial in comparison to the annual financial statements.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R 9 018 000.00 for the 2017/18 financial year and equates to 10.82 per cent of the total operating expenditure.

There is no finance charges for the 2017/2018 financial year, the municipality does not have any current borrowings and does not plan on taking on any loan for the 2017/2018 financial year.

Bulk purchases equates to 20.91 % of the total expenditure and are directly informed by the purchase of electricity from Eskom. The proposals from the consultation paper for annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures account for distribution losses.

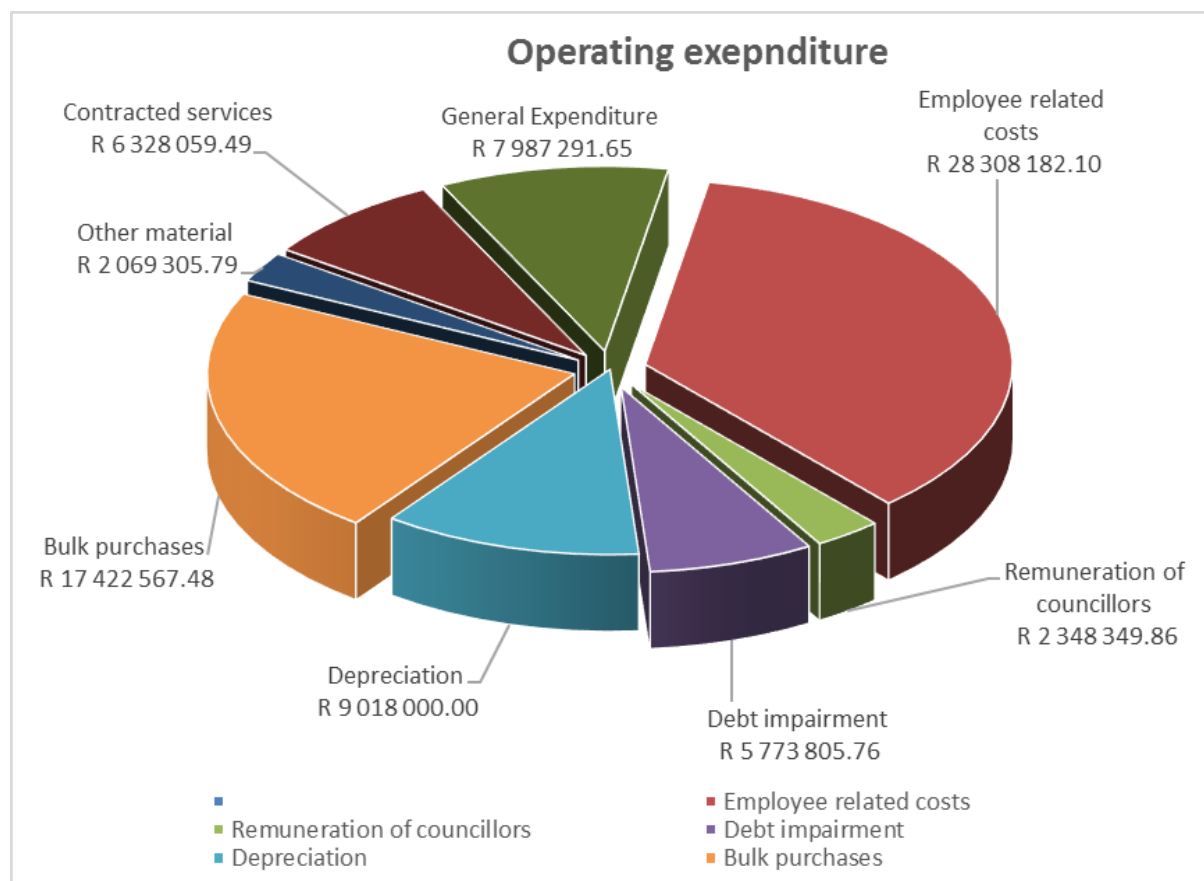
Other materials comprise of amongst others the purchase of materials and spares for maintenance, cleaning materials and chemicals. In line with Kgatelopele Local Municipality's repairs and maintenance priorities this group of expenditure has been prioritized to ensure sustainability of Kgatelopele Local Municipality's infrastructure. Sewage section was on the highest repair and maintenance expenditure, with the upgrading of the sewage network this should decrease the cost of repairs and maintenance in that section. For 2017/18 the appropriation against this group of expenditure equates to 2.5 % of the total operating expenditure, this is a 6.6% increase as compared to the previous financial year. The increase can also be attributed to the electricity project the municipality is undertaking in decreasing losses through theft and tempering.

Contracted services relates to the provision of services by means of the appointment of service providers where the necessary in-house skills are not available or have not yet been adequately developed. Certain functions also require the contracting of specialist knowledge contracted from time to time due to the fact that the municipality cannot afford to employ experts on a full-time basis. Contracted services have been identified as an area for the municipality to implement efficiencies. As part of the compilation of the 2017/18 MTREF this group of expenditure was critically evaluated and operational efficiencies are being enforced. In the 2017/18 financial year, this group of expenditure totals R 6, 328 m, which equate a total 7.59 % of the total operating budget. The decrease in the total for contracted services is due to reclassification of services that are general expenditure previously added under contracted services.



Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. The decrease in other expenditure due to the implementation of cost containment, in line with circular 82, other expenditure amounts to 9.5 % for the 2017/18 financial year. The new changes to the reporting schedules under other expenditure totalling to R 12.055 million, include grant expenditure for FMG, EPWP and Library grant.

The following graph gives a breakdown of the main expenditure categories for the 2017/18 financial year.



## 2.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2017/18 budget and MTREF provide for continuing in the area of asset maintenance, as informed by the asset maintenance strategy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance.

**Table 11 Operational repairs and maintenance**

NC086 Kgatelopele - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Notes to the Consolidated Financial Statements											
Notes to the Consolidated Financial Statements											
Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
Repairs and Maintenance	8										
Employee related costs											
Other materials									2 069	2 187	2 210
Contracted Services											
Other Expenditure											
Total Repairs and Maintenance Expenditure	9	-	-	-	-	-	-	-	2 069	2 187	2 210

During the compilation of the 2017/18 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure. As part of the 2017/18 MTREF this strategic imperative remains a priority.

**Table 12 Repairs and maintenance per asset class**

**NC086 Kgatelopele - Supporting Table SA34c Repairs and maintenance expenditure by asset class**

Description	R ef	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Repairs and maintenance expenditure by Asset Class/Sub-class</b>										
–										
<b>Infrastructure</b>		–	–	–	–	–	–	888	938	921
Roads Infrastructure		–	–	–	–	–	–	293	309	320
Roads								293	309	320
Road Structures										
Road Furniture										
Capital Spares										
Storm water Infrastructure		–	–	–	–	–	–	–	–	–
Drainage Collection										
Storm water Conveyance										
Attenuation										
Electrical Infrastructure		–	–	–	–	–	–	150	159	167
Power Plants										
HV Substations										
HV Switching Station										
HV Transmission Conductors										
MV Substations										
MV Switching Stations										
MV Networks								150	159	167
LV Networks										
Capital Spares										
Water Supply Infrastructure		–	–	–	–	–	–	200	211	223
Dams and Weirs										
Boreholes										
Reservoirs										
Pump Stations										
Water Treatment Works										
Bulk Mains										
Distribution								200	211	223
Distribution Points										
PRV Stations										
Capital Spares										
Sanitation Infrastructure		–	–	–	–	–	–	245	259	210
Pump Station								245	259	210
Reticulation										
Waste Water Treatment Works										
Outfall Sewers										
Toilet Facilities										

<i>Capital Spares</i>									
Solid Waste Infrastructure	-	-	-	-	-	-	-	-	-
Landfill Sites									
Waste Transfer Stations									
Waste Processing Facilities									
Waste Drop-off Points									
Waste Separation Facilities									
Electricity Generation Facilities									
Capital Spares									
Rail Infrastructure	-	-	-	-	-	-	-	-	-
Rail Lines									
Rail Structures									
Rail Furniture									
Drainage Collection									
Storm water Conveyance									
Attenuation									
MV Substations									
LV Networks									
Capital Spares									
Coastal Infrastructure	-	-	-	-	-	-	-	-	-
Sand Pumps									
Piers									
Revetments									
Promenades									
Capital Spares									
Information and Communication Infrastructure	-	-	-	-	-	-	-	-	-
Data Centres									
Core Layers									
Distribution Layers									
Capital Spares									
<b>Community Assets</b>	-	-	-	-	-	-	50	53	56
Community Facilities	-	-	-	-	-	-	50	53	56
Halls									
Centres									
Crèches									
Clinics/Care Centres									
Fire/Ambulance Stations									
Testing Stations									
Museums									
Galleries									
Theatres									
Libraries									
Cemeteries/Crematoria									
Police									
Parks									
Public Open Space							50	53	56
Nature Reserves									
Public Ablution Facilities									
Markets									
Stalls									
Abattoirs									

<i>Airports</i>								
<i>Taxi Ranks/Bus Terminals</i>								
<i>Capital Spares</i>								
Sport and Recreation Facilities	-	-	-	-	-	-	-	-
<i>Indoor Facilities</i>								
<i>Outdoor Facilities</i>								
<i>Capital Spares</i>	1	1	1	1	1	1	1	1
<b><u>Heritage assets</u></b>	-	-	-	-	-	-	-	-
Monuments								
Historic Buildings								
Works of Art								
Conservation Areas								
Other Heritage								
<b><u>Investment properties</u></b>	-	-	-	-	-	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-
<i>Improved Property</i>								
<i>Unimproved Property</i>								
Non-revenue Generating	-	-	-	-	-	-	-	-
<i>Improved Property</i>								
<i>Unimproved Property</i>								
<b><u>Other assets</u></b>	-	-	-	-	-	254	268	280
Operational Buildings	-	-	-	-	-	-	-	-
<i>Municipal Offices</i>						-		
<i>Pay/Enquiry Points</i>								
<i>Building Plan Offices</i>								
<i>Workshops</i>								
<i>Yards</i>								
<i>Stores</i>								
<i>Laboratories</i>								
<i>Training Centres</i>								
<i>Manufacturing Plant</i>								
<i>Depots</i>								
<i>Capital Spares</i>								
Housing	-	-	-	-	-	254	268	280
<i>Staff Housing</i>								
<i>Social Housing</i>						254	268	280
<i>Capital Spares</i>								
<b><u>Biological or Cultivated Assets</u></b>	-	-	-	-	-	-	-	-
Biological or Cultivated Assets								
<b><u>Intangible Assets</u></b>	-	-	-	-	-	-	-	-
Servitudes								
Licences and Rights	-	-	-	-	-	-	-	-
<i>Water Rights</i>								
<i>Effluent Licenses</i>								
<i>Solid Waste Licenses</i>								

Computer Software and Applications									
Load Settlement Software Applications									
Unspecified									
<b>Computer Equipment</b>	-	-	-	-	-	-	104	110	110
Computer Equipment							104	110	110
<b>Furniture and Office Equipment</b>	-	-	-	-	-	-	20	21	21
Furniture and Office Equipment							20	21	21
<b>Machinery and Equipment</b>	-	-	-	-	-	-	65	69	73
Machinery and Equipment							65	69	73
<b>Transport Assets</b>	-	-	-	-	-	-	689	728	750
Transport Assets							689	728	750
<b>Libraries</b>	-	-	-	-	-	-	-	-	-
Libraries									
<b>Zoo's, Marine and Non-biological Animals</b>	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals									
<b>Total Repairs and Maintenance Expenditure</b>	1	-	-	-	-	-	2 069	2 187	2 210

## 2.2 Free Basic Services: Basic Social Services Package

The social package assists households that are indigent/poor or face other circumstances that limit their ability to pay for services. To receive these free/subsidised services the households are required to register in terms of the Municipality's Indigent Policy. The budgeted indigent households for 2017/18 is estimated at 1 700 and will be reviewed monthly. The following is an extract from NT Budget Circular 85:

*"The change in the treatment of cost of free basic services indicates that municipalities must not disclose the support to indigents on table SA21 "Transfers and grants."*

The implication of this is explained elsewhere in this report.

The cost of the social package of the registered indigent households is fully covered by the local government equitable share received in terms of the annual Division of Revenue Act and that portion relating to a specific service has been apportioned as revenue to that specific service.

## 6 CAPITAL EXPENDITURE

The following table provides a breakdown of budgeted capital expenditure by vote and functional area:

**Table 13 2017/18 Medium-term capital budget per vote**

**NC086 Kgatelopele - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding**

Vote Description  R thousand	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Capital expenditure - Vote</b>	2										
<b>Multi-year expenditure to be appropriated</b>											
Vote 1 - EXECUTIVE AND COUNCIL		-	-	-	500	500	500	-	-	-	-
Vote 2 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		905	-	512	-	-	-	-	-	-	-
Vote 4 - BUDGET AND TREASURY		-	-	-	-	-	-	-	-	-	-
Vote 5 - TECHNICAL SERVICES		10 063	-	22 140	11 373	7 673	7 673	-	-	-	-
Vote 6 - COMMUNITY AND PUBLIC SERVICES		-	9 551	-	200	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	10 968	9 551	22 652	12 073	8 173	8 173	-	-	-	-
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - EXECUTIVE AND COUNCIL		-	-	-	-	-	-	-	500	-	-
Vote 2 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-

Vote 4 - BUDGET AND TREASURY		-	-	-	-	-	-	-	65	-	-
Vote 5 - TECHNICAL SERVICES		-	-	-	-	-	-	-	13 299	10 291	23 638
Vote 6 - COMMUNITY AND PUBLIC SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		-	-	-	-	-	-	-	<b>13 864</b>	<b>10 291</b>	<b>23 638</b>
<b>Total Capital Expenditure - Vote</b>		<b>10 968</b>	<b>9 551</b>	<b>22 652</b>	<b>12 073</b>	<b>8 173</b>	<b>8 173</b>	<b>-</b>	<b>13 864</b>	<b>10 291</b>	<b>23 638</b>
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		-	-	-	-	-	-	-	500	-	-
Executive and council									500		
Finance and administration											
Internal audit											
<b>Community and public safety</b>		-	-	-	-	-	-	-	-	-	-
Community and social services											
Sport and recreation											
Public safety											
Housing											
Health											
<b>Economic and environmental services</b>		-	-	-	-	-	-	-	-	-	-
Planning and development											
Road transport											
Environmental protection											
<b>Trading services</b>		-	-	-	-	-	-	-	13 364	10 291	23 638
Energy sources									1 000	2 000	2 500
Water management									4 265		12 644
Waste water management									8 099	8 291	8 494
Waste management											
<b>Other</b>											
<b>Total Capital Expenditure - Functional</b>	3	-	-	-	-	-	-	-	13 864	10 291	23 638
<b>Funded by:</b>											
National Government									12 099	10 291	23 638
Provincial Government											
District Municipality											
Other transfers and grants											
<b>Transfers recognised - capital</b>	4	-	-	-	-	-	-	-	12 099	10 291	23 638
<b>Public contributions &amp; donations</b>	5										
<b>Borrowing</b>	6										
<b>Internally generated funds</b>									1 765		
<b>Total Capital Funding</b>	7	-	-	-	-	-	-	-	13 864	10 291	23 638



For 2017/18 an amount of R 12.09 m has been appropriated for the development of infrastructure which represents 87, 20 per cent of the total capital budget of R 13, 864 million. In the outer years this amount totals R 10, 291 million and R 23, 638million, respectively for each of the outer financial years.

SA34a, b, c & e provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class. Some of the salient projects to be undertaken during 2017/18 includes:

1. Upgrading of the sewer network
2. Replacement of asbestos pipes

### ***3.2 Future operational cost of new infrastructure***

Furthermore, a long term financial plan implementation policy has been developed to encompass costs over the long term. It needs to be noted that as part of the 2017/18 MTREF, this expenditure has been factored into the two outer years of the operational budget.

\*\*\*\*\*

## **ANNUAL BUDGET TABLES**

The following twenty pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2017/18 annual budget and MTREF to be approved and/or noted by the Council. Each table is accompanied by explanatory notes on the facing page.

### **Table 14 MBRR Table A1 - Budget Summary**

**NC086 Kgatelopele - Table A1 Budget Summary**

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	3 453	9 194	8 007	13 930	13 930	13 930	–	14 165	14 970	16 060
Service charges	28 527	31 941	35 826	37 796	37 797	42 997	–	40 827	44 468	45 534
Investment revenue	1 136	102	234	167	167	167	–	216	229	230
Transfers recognised - operational	34 295	21 405	24 096	22 465	20 145	20 145	–	23 042	23 802	25 126
Other own revenue	2 208	1 635	3 521	4 242	4 496	4 496	–	5 364	4 152	4 546
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>69 619</b>	<b>64 277</b>	<b>71 684</b>	<b>78 600</b>	<b>76 535</b>	<b>81 735</b>	<b>–</b>	<b>83 614</b>	<b>87 620</b>	<b>91 496</b>
Employee costs	14 189	18 246	21 023	31 237	27 765	27 765	–	28 308	30 007	31 807
Remuneration of councillors	2 122	2 192	2 481	2 564	2 362	2 362	–	2 348	2 489	2 639
Depreciation & asset impairment	11 154	12 858	3 280	4 509	4 509	4 509	–	9 018	9 532	10 066
Finance charges	–	210	66	245	245	245	–	–	–	–
Materials and bulk purchases	14 198	15 234	16 720	19 280	17 476	17 476	–	19 492	20 603	21 657
Transfers and grants	–	–	–	4 531	9 117	9 117	–	–	–	–
Other expenditure	17 448	27 839	16 441	21 432	19 827	19 827	–	24 157	24 594	24 930
<b>Total Expenditure</b>	<b>59 111</b>	<b>76 579</b>	<b>60 011</b>	<b>83 798</b>	<b>81 301</b>	<b>81 301</b>	<b>–</b>	<b>83 324</b>	<b>87 225</b>	<b>91 099</b>
<b>Surplus/(Deficit)</b>	<b>10 508</b>	<b>(12 302)</b>	<b>11 673</b>	<b>(5 198)</b>	<b>(4 766)</b>	<b>434</b>	<b>–</b>	<b>291</b>	<b>394</b>	<b>397</b>
Transfers and subsidies - capital (monetary alloc	–	–	–	9 173	8 173	8 173	–	12 099	10 291	23 638
Contributions recognised - capital & contributed a	–	–	–	9 173	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>10 508</b>	<b>(12 302)</b>	<b>11 673</b>	<b>13 148</b>	<b>3 407</b>	<b>8 607</b>	<b>–</b>	<b>12 390</b>	<b>10 685</b>	<b>24 035</b>
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>	<b>10 508</b>	<b>(12 302)</b>	<b>11 673</b>	<b>13 148</b>	<b>3 407</b>	<b>8 607</b>	<b>–</b>	<b>12 390</b>	<b>10 685</b>	<b>24 035</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>13 864</b>	<b>10 291</b>	<b>23 638</b>
Transfers recognised - capital	–	–	–	–	–	–	–	12 099	10 291	23 638
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	–	–	–	–	–	–	–	1 765	–	–
<b>Total sources of capital funds</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>13 864</b>	<b>10 291</b>	<b>23 638</b>
<b>Financial position</b>										
Total current assets	12 593	13 983	29 583	79 058	79 058	79 058	–	18 115	25 251	26 665
Total non current assets	200 060	196 434	272 199	–	5 899	5 899	–	234 341	246 214	254 471
Total current liabilities	14 209	23 158	31 691	13 974	13 975	13 975	–	21 034	13 732	11 847
Total non current liabilities	8 012	6 594	6 212	–	–	–	–	6 212	6 566	6 940
Community wealth/Equity	190 435	180 665	263 880	65 083	70 982	70 982	–	225 211	251 167	262 349
<b>Cash flows</b>										
Net cash from (used) operating	3 482	10 086	7 478	17 635	8 894	(1 307)	7 151	26 882	26 320	40 445
Net cash from (used) investing	(10 969)	(9 731)	–	(9 173)	–	–	1	(4 051)	(10 291)	(23 638)
Net cash from (used) financing	(1 081)	(1 169)	(1 228)	(636)	–	–	(599)	–	–	–
<b>Cash/cash equivalents at the year end</b>	<b>1 128</b>	<b>313</b>	<b>6 564</b>	<b>7 826</b>	<b>8 894</b>	<b>(1 307)</b>	<b>6 553</b>	<b>22 831</b>	<b>38 859</b>	<b>55 666</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	1 127	314	(3 272)	533	533	533	–	314	332	351
Application of cash and investments	3 728	12 305	(2 166)	(77 204)	(77 171)	(57 059)	–	2 075	(12 391)	(15 741)
<b>Balance - surplus (shortfall)</b>	<b>(2 601)</b>	<b>(11 991)</b>	<b>(1 106)</b>	<b>77 737</b>	<b>77 704</b>	<b>57 592</b>	<b>–</b>	<b>(1 761)</b>	<b>12 723</b>	<b>16 091</b>
<b>Asset management</b>										
Asset register summary (WDV)	200 826	196 433	217 943	199 210	199 709	199 709	290 378	290 378	306 639	323 811
Depreciation	–	–	–	–	–	–	9 018	9 018	9 469	9 943
Renewal of Existing Assets	724	–	–	–	–	–	–	–	–	–
Repairs and Maintenance	–	–	–	–	–	–	2 069	2 069	2 187	2 210
<b>Free services</b>										
Cost of Free Basic Services provided	–	–	–	5 200	5 200	–	9 415	9 415	9 824	10 299
Revenue cost of free services provided	–	–	–	–	–	–	–	–	–	–
<b>Households below minimum service level</b>										
Water:	–	–	–	–	–	–	–	–	–	–
Sanitation/sewerage:	–	–	–	–	–	–	–	–	–	–
Energy:	–	–	–	–	–	–	–	–	–	–
Refuse:	–	–	–	–	–	–	–	–	–	–

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position cash flow, and MFMA funding compliance).

2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's service delivery and commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
    - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive and stable indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that the cash increases over the MTREF.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase.

**Table 15 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by functional classification)**

NC086 Kgatelopele - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousand</b>	<b>1</b>									
<b>Revenue - Functional</b>										
<i><b>Governance and administration</b></i>		-	-	-	-	-	-	37 208	39 135	41 818
Executive and council		-	-	-	-	-	-	117	119	134
Finance and administration		-	-	-	-	-	-	37 091	39 017	41 684
Internal audit		-	-	-	-	-	-	-	-	-
<i><b>Community and public safety</b></i>		-	-	-	-	-	-	766	769	671
Community and social services		-	-	-	-	-	-	766	769	671
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i><b>Economic and environmental services</b></i>		-	-	-	-	-	-	2 871	1 978	2 041
Planning and development		-	-	-	-	-	-	1 153	162	171
Road transport		-	-	-	-	-	-	1 718	1 816	1 870
Environmental protection		-	-	-	-	-	-	-	-	-
<i><b>Trading services</b></i>		-	-	-	-	-	-	54 867	56 030	70 605
Energy sources		-	-	-	-	-	-	23 317	27 819	28 471
Water management		-	-	-	-	-	-	11 971	8 442	21 202
Waste water management		-	-	-	-	-	-	13 410	13 231	13 938
Waste management		-	-	-	-	-	-	6 169	6 538	6 995
<i><b>Other</b></i>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	2	-	-	-	-	-	-	95 713	97 912	115 134
<b>Expenditure - Functional</b>										
<i><b>Governance and administration</b></i>		-	-	-	-	-	-	45 351	48 148	46 985
Executive and council		-	-	-	-	-	-	8 424	8 947	8 160
Finance and administration		-	-	-	-	-	-	36 575	38 829	38 436
Internal audit		-	-	-	-	-	-	352	372	388
<i><b>Community and public safety</b></i>		-	-	-	-	-	-	1 894	1 963	1 917
Community and social services		-	-	-	-	-	-	723	723	622
Sport and recreation		-	-	-	-	-	-	1 171	1 240	1 295
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i><b>Economic and environmental services</b></i>		-	-	-	-	-	-	8 802	8 267	7 761
Planning and development		-	-	-	-	-	-	7 522	6 910	6 317
Road transport		-	-	-	-	-	-	1 280	1 356	1 445
Environmental protection		-	-	-	-	-	-	-	-	-
<i><b>Trading services</b></i>		-	-	-	-	-	-	39 376	39 139	58 074
Energy sources		-	-	-	-	-	-	19 599	22 721	24 362
Water management		-	-	-	-	-	-	5 931	2 045	14 892
Waste water management		-	-	-	-	-	-	11 016	11 381	11 757
Waste management		-	-	-	-	-	-	2 830	2 992	7 063
<i><b>Other</b></i>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Functional</b>	3	-	-	-	-	-	-	95 423	97 517	114 737
<b>Surplus/(Deficit) for the year</b>		-	-	-	-	-	-	290	395	397

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by functional classification) - mSCOA – Function/Sub Function**

- Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per functional classification. The modified GFS functional

classification, now Function/Sub Function, divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables National Treasury to compile 'whole of government' reports.

- Note the Total Revenue on this table includes capital revenues (Transfers recognised: capital) and so does not balance to the operating revenue shown on Table A4.

**Table 16 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

**NC086 Kgatelopele - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousand</b>										
<b>Revenue by Vote</b>	1									
Vote 1 - EXECUTIVE AND COUNCIL		-	-	-	-	-	-	90	90	101
Vote 2 - MUNICIPAL MANAGER		-	-	-	-	-	-	27	29	33
Vote 3 - CORPORATE SERVICES		-	-	-	-	-	-	2 441	2 539	2 492
Vote 4 - BUDGET AND TREASURY		-	-	-	-	-	-	37 091	39 017	41 684
Vote 5 - TECHNICAL SERVICES		-	-	-	-	-	-	55 910	56 076	70 653
Vote 6 - COMMUNITY AND PUBLIC SERVICES		-	-	-	-	-	-	153	162	171
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	-	-	-	-	-	-	95 713	97 912	115 133
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - EXECUTIVE AND COUNCIL		-	-	-	-	-	-	3 693	3 927	4 133
Vote 2 - MUNICIPAL MANAGER		-	-	-	-	-	-	5 082	5 392	4 415
Vote 3 - CORPORATE SERVICES		-	-	-	-	-	-	6 431	6 783	7 075
Vote 4 - BUDGET AND TREASURY		-	-	-	-	-	-	32 147	34 126	33 428
Vote 5 - TECHNICAL SERVICES		-	-	-	-	-	-	45 821	44 906	63 159
Vote 6 - COMMUNITY AND PUBLIC SERVICES		-	-	-	-	-	-	2 249	2 384	2 527
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	-	-	-	-	-	-	95 423	97 517	114 737
<b>Surplus/(Deficit) for the year</b>	2	-	-	-	-	-	-	290	395	396

## Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote) – mSCOA – Own Segment

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per own segment: municipal vote (directorate). This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

**Table 17 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**

NC086 Kgatelopele - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousand</b>	<b>1</b>										
<b>Revenue By Source</b>											
Property rates	2	3 453	9 194	8 007	13 930	13 930	13 930	–	14 165	14 970	16 060
Service charges - electricity revenue	2	13 214	31 941	18 265	20 977	20 978	22 278	–	22 411	24 951	25 000
Service charges - water revenue	2	6 117	–	7 317	7 620	7 620	8 920	–	7 921	8 390	8 472
Service charges - sanitation revenue	2	3 840	–	4 359	3 505	3 505	4 805	–	4 324	4 589	5 066
Service charges - refuse revenue	2	5 356	–	5 885	5 694	5 694	6 994	–	6 170	6 537	6 995
Service charges - other		–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment		321	235	159	98	142	142	–	137	143	150
Interest earned - external investments		1 136	102	234	167	167	167	–	216	229	230
Interest earned - outstanding debtors		–	254	606	109	109	109	–	175	185	189
Dividends received		7	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits		24	8	20	25	25	25	–	1 018	1 076	1 100
Licences and permits		–	–	–	14	14	14	–	53	56	60
Agency services		–	717	2 494	204	204	204	–	700	740	770
Transfers and subsidies		34 295	21 405	24 096	22 465	20 145	20 145	–	23 042	23 802	25 126
Other revenue	2	1 856	421	242	3 792	4 002	4 002	–	2 981	1 952	2 277
Gains on disposal of PPE		–	–	–	–	–	–	–	300	–	–
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>69 619</b>	<b>64 277</b>	<b>71 684</b>	<b>78 600</b>	<b>76 535</b>	<b>81 735</b>	<b>–</b>	<b>83 614</b>	<b>87 620</b>	<b>91 496</b>
<b>Expenditure By Type</b>											
Employee related costs	2	14 189	18 246	21 023	31 237	27 765	27 765	–	28 308	30 007	31 807
Remuneration of councillors		2 122	2 192	2 481	2 564	2 362	2 362	–	2 348	2 489	2 639
Debt impairment	3	5 640	10 321	–	3 951	3 951	3 951	–	5 774	6 103	6 345
Depreciation & asset impairment	2	11 154	12 858	3 280	4 509	4 509	4 509	–	9 018	9 532	10 066
Finance charges		–	210	66	245	245	245	–	–	–	–
Bulk purchases	2	12 756	13 716	15 204	17 673	15 536	15 536	–	17 423	18 416	19 447
Other materials	8	1 442	1 518	1 516	1 607	1 940	1 940	–	2 069	2 187	2 210
Contracted services		3 409	3 191	3 911	7 033	7 237	7 237	–	6 328	6 689	7 063
Transfers and subsidies		–	–	–	4 531	9 117	9 117	–	–	–	–
Other expenditure	4, 5	8 399	14 327	12 530	10 448	8 639	8 639	–	12 055	11 803	11 522
Loss on disposal of PPE		–	–	–	–	–	–	–	–	–	–
<b>Total Expenditure</b>		<b>59 111</b>	<b>76 579</b>	<b>60 011</b>	<b>83 798</b>	<b>81 301</b>	<b>81 301</b>	<b>–</b>	<b>83 324</b>	<b>87 225</b>	<b>91 099</b>
<b>Surplus/(Deficit)</b>		<b>10 508</b>	<b>(12 302)</b>	<b>11 673</b>	<b>(5 198)</b>	<b>(4 766)</b>	<b>434</b>	<b>–</b>	<b>291</b>	<b>394</b>	<b>397</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)					9 173	8 173	8 173	–	12 099	10 291	23 638
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Transfers and subsidies - capital (in-kind - all)	6	–	–	–	9 173	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>10 508</b>	<b>(12 302)</b>	<b>11 673</b>	<b>13 148</b>	<b>3 407</b>	<b>8 607</b>	<b>–</b>	<b>12 390</b>	<b>10 685</b>	<b>24 035</b>
Taxation											
<b>Surplus/(Deficit) after taxation</b>		<b>10 508</b>	<b>(12 302)</b>	<b>11 673</b>	<b>13 148</b>	<b>3 407</b>	<b>8 607</b>	<b>–</b>	<b>12 390</b>	<b>10 685</b>	<b>24 035</b>
Attributable to minorities											
<b>Surplus/(Deficit) attributable to municipality</b>		<b>10 508</b>	<b>(12 302)</b>	<b>11 673</b>	<b>13 148</b>	<b>3 407</b>	<b>8 607</b>	<b>–</b>	<b>12 390</b>	<b>10 685</b>	<b>24 035</b>
Share of surplus/ (deficit) of associate	7										
<b>Surplus/(Deficit) for the year</b>		<b>10 508</b>	<b>(12 302)</b>	<b>11 673</b>	<b>13 148</b>	<b>3 407</b>	<b>8 607</b>	<b>–</b>	<b>12 390</b>	<b>10 685</b>	<b>24 035</b>

## **Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)**

1. Total operating revenue is R 81,735 million in 2016/2017 and indicates an increase to R 83, 614 million in 2017/18, however there is a decrease in service charges which is attributed to the change in budget presentation for free basic services, explained on in this report.
2. Revenue to be generated from property rates is R13, 930 million in the 2016/2017 financial year and increases to R 14,165 million by 2017/18 which represents 16.94 per cent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R 42, 997 million for the 2016/2017 financial year and indicates a decrease to R 40, 827 million by 2017/18. This is also a result of the change in budget presentation for free basic services, explained in this report. This reduction is countered by that portion of the Equitable Share equal to the cost and revenue cost of FBS to indigents now reflected as revenue to the relevant service. For the 2017/18 financial year services charges amount to 48.83 per cent of the operating revenue base.
4. Transfers recognised – operating grants includes the local government equitable share and other operating grants from national and provincial government.
5. Bulk purchases have significantly increased over the 2016/17 to 2019/20 period escalating from R15, 536 million to R 17,423 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
6. The change in the trend for contracted services also relates to the reclassification of expenditure resulting from mSCOA implementation.
7. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.



**Table 18 MBRR Table A5 - Budgeted Capital Expenditure by vote, functional classification and funding source**

**NC086 Kgatelopele - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding**

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousand</b>	<b>1</b>										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	<b>2</b>										
Vote 1 - EXECUTIVE AND COUNCIL		-	-	-	-	-	-	-	-	-	-
Vote 2 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		905	-	512	-	-	-	-	-	-	-
Vote 4 - BUDGET AND TREASURY		-	-	-	-	-	-	-	-	-	-
Vote 5 - TECHNICAL SERVICES		10 063	-	22 140	11 373	7 673	7 673	-	-	-	-
Vote 6 - COMMUNITY AND PUBLIC SERVICES		-	9 551	-	200	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	<b>7</b>	<b>10 968</b>	<b>9 551</b>	<b>22 652</b>	<b>11 573</b>	<b>7 673</b>	<b>7 673</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Single-year expenditure to be appropriated</b>	<b>2</b>										
Vote 1 - EXECUTIVE AND COUNCIL		-	-	-	-	-	-	-	500	-	-
Vote 2 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 4 - BUDGET AND TREASURY		-	-	-	-	-	-	-	65	-	-
Vote 5 - TECHNICAL SERVICES		-	-	-	-	-	-	-	13 299	10 291	23 638
Vote 6 - COMMUNITY AND PUBLIC SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13 864</b>	<b>10 291</b>	<b>23 638</b>
<b>Total Capital Expenditure - Vote</b>		<b>10 968</b>	<b>9 551</b>	<b>22 652</b>	<b>11 573</b>	<b>7 673</b>	<b>7 673</b>	<b>-</b>	<b>13 864</b>	<b>10 291</b>	<b>23 638</b>
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		-	-	-	-	-	-	-	500	-	-
Executive and council									500		
Finance and administration											
Internal audit											
<b>Community and public safety</b>		-	-	-	-	-	-	-	-	-	-
Community and social services											
Sport and recreation											
Public safety											
Housing											
Health											
<b>Economic and environmental services</b>		-	-	-	-	-	-	-	-	-	-
Planning and development											
Road transport											
Environmental protection											
<b>Trading services</b>		-	-	-	-	-	-	-	13 364	10 291	23 638
Energy sources									1 000	2 000	2 500
Water management									4 265		12 644
Waste water management									8 099	8 291	8 494
Waste management											
<b>Other</b>											
<b>Total Capital Expenditure - Functional</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13 864</b>	<b>10 291</b>	<b>23 638</b>
<b>Funded by:</b>											
National Government									12 099	10 291	23 638
Provincial Government											
District Municipality											
Other transfers and grants											
<b>Transfers recognised - capital</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12 099</b>	<b>10 291</b>	<b>23 638</b>
<b>Public contributions &amp; donations</b>	<b>5</b>										
<b>Borrowing</b>	<b>6</b>										
<b>Internally generated funds</b>									1 765		
<b>Total Capital Funding</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13 864</b>	<b>10 291</b>	<b>23 638</b>

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by functional classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. The capital expenditure amounts to R 13,864 million in 2017/18.
3. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality.
4. The capital programme is funded from national and provincial grants and transfers, public contributions and donations, borrowing and internally generated funds from previous year surpluses. For 2017/18, capital transfers totals R 12, 099 million, internally generated funding totalling R1,765 million. These funding sources are further discussed in detail in paragraph 2.6 (Overview of Budget Funding).

**Table 19 MBRR Table A6 - Budgeted Financial Position**

**NC086 Kgatelopele - Table A6 Budgeted Financial Position**

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
ASSETS											
Current assets											
Cash	1								314	332	351
Call investment deposits		–	–	–	–	–	–	–	–	–	–
Consumer debtors	1	6 689	9 192	16 181	48 523	48 523	48 523	–	17 801	24 919	26 314
Other debtors											
Current portion of long-term receivables											
Inventory	2									–	–
Total current assets		6 689	9 192	16 181	48 523	48 523	48 523	–	18 115	25 251	26 665
Non current assets											
Long-term receivables											
Investments											
Investment property										–	–
Investment in Associate											
Property, plant and equipment	3	193 586	189 929	217 943	–	–	–	–	234 341	246 214	254 471
Agricultural											
Biological											
Intangible										–	–
Other non-current assets											
Total non current assets		193 586	189 929	217 943	–	–	–	–	234 341	246 214	254 471
TOTAL ASSETS		200 275	199 121	234 124	48 523	48 523	48 523	–	252 456	271 465	281 136
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	1 164	–	638	636	637	637	–	–	–	–
Consumer deposits									1 209	1 277	1 349
Trade and other payables	4	12 511	21 581	25 510	7 709	7 709	7 709	–	19 825	12 455	10 498
Provisions									–	–	–
Total current liabilities		13 675	21 581	26 148	8 345	8 346	8 346	–	21 034	13 732	11 847
Non current liabilities											
Borrowing		1 871	637	–	–	–	–	–	–	–	–
Provisions		6 141	5 957	6 212	–	–	–	–	6 212	6 566	6 940
Total non current liabilities		8 012	6 594	6 212	–	–	–	–	6 212	6 566	6 940
TOTAL LIABILITIES		21 687	28 175	32 360	8 345	8 346	8 346	–	27 246	20 298	18 788
NET ASSETS	5	178 588	170 946	201 764	40 178	40 177	40 177	–	225 211	251 167	262 349
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		139 375	129 605	212 820	65 083	70 982	70 982		225 211	251 167	262 349
Reserves	4	51 060	51 060	51 060	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	190 435	180 665	263 880	65 083	70 982	70 982	–	225 211	251 167	262 349

### Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understand ability for councillors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is largely aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. Table 19 is supported by an extensive table of notes providing a detailed analysis of the major components of a number of items, including:

- Consumer debtors;
- Property, plant and equipment;
- Trade and other payables;
- Provisions non-current;
- Changes in net assets; and
- Reserves

4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

**Table 20 MBRR Table A7 - Budgeted Cash Flow Statement**

NC086 Kgatelopele - Table A7 Budgeted Cash Flows

NC0000 Rgatelopele - Table A7 Budgeted Cash Flows											
Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		1 049	–	8 007	13 930	13 930	3 729	3 729	14 165	14 970	16 060
Service charges		22 437	29 110	35 827	42 996	42 996	42 996	15 418	40 827	44 467	45 533
Other revenue		3 802	1 123	2 895	4 134	4 388	4 388	6 573	4 889	3 967	4 357
Government - operating	1	17 875	24 503	–	22 464	20 145	20 145	14 957	23 042	23 802	25 126
Government - capital	1	10 098	–	20 036	9 173	–	–	7 937	12 099	10 291	23 638
Interest		1 136	102	839	276	276	276	40	391	413	419
Dividends									–	–	–
Payments											
Suppliers and employees		(52 629)	(44 542)	(56 666)	(70 562)	(63 479)	(63 479)	(39 001)	(68 531)	(71 591)	(74 688)
Finance charges		(286)	(210)	(66)	(245)	(245)	(245)	(10)	–	–	–
Transfers and Grants	1			(3 394)	(4 531)	(9 117)	(9 117)	(2 492)	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES		3 482	10 086	7 478	17 635	8 894	(1 307)	7 151	26 882	26 320	40 445
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE								1	300	–	–
Decrease (Increase) in non-current debtors									7 748	–	–
Decrease (increase) other non-current receivables									–	–	–
Decrease (increase) in non-current investments									–	–	–
Payments											
Capital assets		(10 969)	(9 731)	–	(9 173)				(12 099)	(10 291)	(23 638)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(10 969)	(9 731)	–	(9 173)	–	–	1	(4 051)	(10 291)	(23 638)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									–	–	–
Borrowing long term/refinancing									–	–	–
Increase (decrease) in consumer deposits								39	–	–	–
Payments											
Repay ment of borrowing		(1 081)	(1 169)	(1 228)	(636)			(638)	–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		(1 081)	(1 169)	(1 228)	(636)	–	–	(599)	–	–	–
NET INCREASE/ (DECREASE) IN CASH HELD		(8 568)	(814)	6 250	7 826	8 894	(1 307)	6 553	22 831	16 029	16 807
Cash/cash equivalents at the year begin:	2	9 696	1 127	314					–	22 831	38 859
Cash/cash equivalents at the year end:	2	1 128	313	6 564	7 826	8 894	(1 307)	6 553	22 831	38 859	55 666

### Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the Municipality increase steadily over the 2017/2018 to 2019/20 period.
4. The 2017/18 MTREF has been informed by the planning principle of ensuring adequate cash over the medium-term.

5. Cash and cash equivalents totals R22, 931 million as at the end of the 2017/2018 financial year and is estimated to increase to R55,666 million by 2019/20.

**Table 21 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

NC086 Kgatelopele - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	1 128	313	6 564	7 826	8 894	(1 307)	6 553	22 831	38 859	55 666
Other current investments > 90 days		(1)	1	(9 836)	(7 293)	(8 361)	1 840	(6 553)	(22 517)	(38 527)	(55 315)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		<b>1 127</b>	<b>314</b>	<b>(3 272)</b>	<b>533</b>	<b>533</b>	<b>533</b>	<b>-</b>	<b>314</b>	<b>332</b>	<b>351</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		-	-	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	3 728	12 305	(2 166)	(77 204)	(77 171)	(57 059)	-	2 075	(12 391)	(15 741)
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		<b>3 728</b>	<b>12 305</b>	<b>(2 166)</b>	<b>(77 204)</b>	<b>(77 171)</b>	<b>(57 059)</b>	<b>-</b>	<b>2 075</b>	<b>(12 391)</b>	<b>(15 741)</b>
<b>Surplus(shortfall)</b>		<b>(2 601)</b>	<b>(11 991)</b>	<b>(1 106)</b>	<b>77 737</b>	<b>77 704</b>	<b>57 592</b>	<b>-</b>	<b>(1 761)</b>	<b>12 723</b>	<b>16 091</b>

## Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus

### Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of noncompliance with the MFMA requirements that the municipality's budget must be "funded".
4. As part of the budgeting and planning guidelines that informed the compilation of the 2017/18 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.
5. As can be seen the budget has been modelled to ensure that the budget is funded.

**Table 22 MBRR Table A9 - Asset Management**

**NC086 Kgatelopele - Table A9  
Asset Management**

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>CAPITAL EXPENDITURE</b>										
<b><u>Total New Assets</u></b>	1	10 245	9 551	22 651	12 073	8 173	8 173	1 765	-	-
<i>Roads Infrastructure</i>		4 861	-	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>		4 041	-	21 682	10 373	7 673	7 673	-	-	-
<i>Sanitation Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>		8 902	-	21 682	10 373	7 673	7 673	-	-	-
Community Facilities		221	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
<b>Community Assets</b>		221	-	-	-	-	-	-	-	-
<b>Heritage Assets</b>		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Operational Buildings		1 122	9 551	969	1 700	500	500	-	-	-
Housing		-	-	-	-	-	-	-	-	-
<b>Other Assets</b>		1 122	9 551	969	1 700	500	500	-	-	-
<b>Biological or Cultivated Assets</b>		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	65	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	1 700	-	-
Libraries		-	-	-	-	-	-	-	-	-

<b>Zoo's, Marine and Non-biological Animals</b>		-	-	-	-	-	-	-	-
<b><u>Total Renewal of Existing Assets</u></b>	2	724	-	-	-	-	-	-	-
<i>Roads Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Water Supply Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Sanitation Infrastructure</i>		724	-	-	-	-	-	-	-
<i>Solid Waste Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-
<b>Infrastructure</b>		724	-	-	-	-	-	-	-
Community Facilities		-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-
<b>Community Assets</b>		-	-	-	-	-	-	-	-
<b>Heritage Assets</b>		-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-
<b>Investment properties</b>		-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-
<b>Other Assets</b>		-	-	-	-	-	-	-	-
<b>Biological or Cultivated Assets</b>		-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-
<b>Intangible Assets</b>		-	-	-	-	-	-	-	-
<b>Computer Equipment</b>		-	-	-	-	-	-	-	-
<b>Furniture and Office Equipment</b>		-	-	-	-	-	-	-	-
<b>Machinery and Equipment</b>		-	-	-	-	-	-	-	-
<b>Transport Assets</b>		-	-	-	-	-	-	-	-
<b>Libraries</b>		-	-	-	-	-	-	-	-
<b>Zoo's, Marine and Non-biological Animals</b>		-	-	-	-	-	-	-	-
<b><u>Total Upgrading of Existing Assets</u></b>	6	-	-	-	-	-	12 099	10 219	23 638
<i>Roads Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>		-	-	-	-	-	-	2 000	2 500
<i>Water Supply Infrastructure</i>		-	-	-	-	-	4 000	-	-



<i>Sanitation Infrastructure</i>	-	-	-	-	-	-	8 099	8 219	21 138
<i>Solid Waste Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>	-	-	-	-	-	-	<b>12 099</b>	<b>10 219</b>	<b>23 638</b>
Community Facilities	-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities	-	-	-	-	-	-	-	-	-
<b>Community Assets</b>	-	-	-	-	-	-	-	-	-
<b>Heritage Assets</b>	-	-	-	-	-	-	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-	-
Non-revenue Generating	-	-	-	-	-	-	-	-	-
<b>Investment properties</b>	-	-	-	-	-	-	-	-	-
Operational Buildings	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-
<b>Other Assets</b>	-	-	-	-	-	-	-	-	-
<b>Biological or Cultivated Assets</b>	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-
Licences and Rights	-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>	-	-	-	-	-	-	-	-	-
<b>Computer Equipment</b>	-	-	-	-	-	-	-	-	-
<b>Furniture and Office Equipment</b>	-	-	-	-	-	-	-	-	-
<b>Machinery and Equipment</b>	-	-	-	-	-	-	-	-	-
<b>Transport Assets</b>	-	-	-	-	-	-	-	-	-
<b>Libraries</b>	-	-	-	-	-	-	-	-	-
<b>Zoo's, Marine and Non-biological Animals</b>	-	-	-	-	-	-	-	-	-
<b><u>Total Capital Expenditure</u></b>	4								
<i>Roads Infrastructure</i>	4 861	-	-	-	-	-	-	-	-
<i>Storm water Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Electrical Infrastructure</i>	-	-	-	-	-	-	-	2 000	2 500
<i>Water Supply Infrastructure</i>	4 041	-	21 682	10 373	7 673	7 673	4 000	-	-
<i>Sanitation Infrastructure</i>	724	-	-	-	-	-	8 099	8 219	21 138
<i>Solid Waste Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Rail Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>	-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>	-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>	<b>9 626</b>	<b>-</b>	<b>21 682</b>	<b>10 373</b>	<b>7 673</b>	<b>7 673</b>	<b>12 099</b>	<b>10 219</b>	<b>23 638</b>
Community Facilities	221	-	-	-	-	-	-	-	-
Sport and Recreation Facilities	-	-	-	-	-	-	-	-	-

Community Assets	221	-	-	-	-	-	-	-	-	
Heritage Assets	-	-	-	-	-	-	-	-	-	
Revenue Generating	-	-	-	-	-	-	-	-	-	
Non-revenue Generating	-	-	-	-	-	-	-	-	-	
Investment properties	-	-	-	-	-	-	-	-	-	
Operational Buildings	1 122	9 551	969	1 700	500	500	-	-	-	
Housing	-	-	-	-	-	-	-	-	-	
Other Assets	1 122	9 551	969	1 700	500	500	-	-	-	
Biological or Cultivated Assets	-	-	-	-	-	-	-	-	-	
Servitudes	-	-	-	-	-	-	-	-	-	
Licences and Rights	-	-	-	-	-	-	-	-	-	
Intangible Assets	-	-	-	-	-	-	-	-	-	
Computer Equipment	-	-	-	-	-	-	-	-	-	
Furniture and Office Equipment	-	-	-	-	-	-	65	-	-	
Machinery and Equipment	-	-	-	-	-	-	-	-	-	
Transport Assets	-	-	-	-	-	-	1 700	-	-	
Libraries	-	-	-	-	-	-	-	-	-	
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-	
TOTAL CAPITAL EXPENDITURE - Asset class		10 969	9 551	22 651	12 073	8 173	8 173	13 864	10 219	23 638

### Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal/upgrading of existing assets, as well as spending on repairs and maintenance by asset class.
2. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF

**Table 23 MBRR Table A10 - Basic Service Delivery Measurement**

NC086 Kgatelopele - Table A10 Basic service delivery measurement										
Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Cost of Free Basic Services provided – Formal Settlements (R'000)</b>	8									
Water (6 kilolitres per indigent household per month)		-	-	-	1300	1300	-	2 460	2 583	2 728
Sanitation (free sanitation service to indigent households)		-	-	-	1300	1300	-	2 646	2 778	2 934
Electricity/other energy (50kwh per indigent household per month)		-	-	-	1300	1300	-	2 050	2 091	2 133
Refuse (removed once a week for indigent households)		-	-	-	1300	1300	-	2 259	2 372	2 505
<b>Cost of Free Basic Services provided – Informal Formal Settlements (R'000)</b>		-	-	-	-	-	-	-	-	-
<b>Total cost of FBS provided</b>		-	-	-	5 200	5 200	-	9 415	9 824	10 299

**Explanatory notes to Table A10 - Basic Service Delivery Measurement**

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. Good progress is being made with the eradication of current services backlogs. Housing remains a challenge.
  - Electricity services – the current backlog has provisionally been eliminated.
3. The budget provides for 1 700 households to be registered as indigent in 2017/18, and therefore entitled to receiving Free Basic Services. The number is set to increase over the MTREF, especially by poor people seeking economic opportunities.
4. It is anticipated that the cost of these Free Basic Services will amount to R 9, 415 million in 2017/18. This is covered by the municipality's equitable share allocation from national government.
5. In addition to the Free Basic Services, other rates rebates also apply to households.

\*\*\*\*\*

## **PART 2 – SUPPORTING DOCUMENTATION**

### ***2.1 Overview of the annual budget process***

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Full-time Councillors, Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

*The primary aims of the Budget Steering Committee are to ensure:*

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

#### ***2.1.1 Budget Process Overview***

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2016) a time schedule that sets out the process to prepare the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and budget time schedule on 28 August 2016.

Key dates applicable to the process were:

- September 2016 – Extensive public participation IDP consultation sessions were held in each of the four wards, which included members of the public and other broader stakeholders (service organisations, etc.), to provide feedback on IDP delivery for the past three financial years (2013/14 to 2015/16) and to gather information on the “community needs” per ward;
- November/December 2016 – Review of all budget related policies;
- December 2016 – Mid-year review by of the 2016/2017 progress and review of 2017-2020 draft operational expenditure including financial forecasting and scenario considerations;
- January 2017 - Council considered the 2016/2017 Mid-year Review;
- February 2017 – Finalisation of adjustments budget;
- 29 March 2017 - Tabling in Council of the draft 2017/18 IDP, SDBIP and 2017/18 MTREF for public consultation;
- 29 March – 2 May 2017 – Draft Budget available to the public and any other stakeholders for perusal and the submission of comments and representations;
- 11-18 April 2017 – Public consultation – Public meetings to be held in all four wards in the municipal area to present the draft budget to the community;
- 22 April 2017 – Extended management meeting on the draft IDP, budget and finance policies.
- 3 May 2017 – Special strategic workshop with middle management and councillors on draft budget, IDP and policies.
- 3-17 May 2017 – finalisation of the 2017/18 IDP and 2017/18 MTREF, taking into consideration comments received from the public, comments from NT & PT and updated information from the most recent DoRA and financial framework;

- 24 May 2017 – Budget steering committee meeting on inputs and finalisation of the budget.
- 28 May 2017 – Final budget distribution; and
- 31 May 2017 - Tabling of the 2017/18 MTREF in Council for consideration and approval.

*Round 1 of public participation*

<b>Date</b>	<b>Area</b>	<b>Venue</b>
14 September 2016	Kuilsville (Ward 3)	Kuilsville Community Hall
15 September 2016	Landbou Erwe (Ward 2)	Freeman Church
20 September 2016	Tlhakalatlou (Ward 1)	Tlhakalatlou Community Hall
21 September 2016	Lime Acres (Ward 4)	Shaleje PPC

*Round 2*

<b>DATE</b>	<b>WARD NUMBER</b>	<b>VENUE</b>
11 April 2017	Ward 4	Shaleje Hall PPC
12 April 2017	Ward 2	Landbou Erwe Freeman Church
13 April 2017	Ward 3	Kuilsville Community Hall
18 April 2017	Ward 1	Tlhakalatlou Community Hall

## *IDP and Service Delivery and Budget Implementation Plan*

This is the first year of the new generation IDP (2017/2022) to be considered and adopted by Council in May 2017. The draft IDP process started in September 2016 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2017/18 MTREF in August 2016. The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the

Service Delivery and Budget Implementation Plan. The Process Plan applicable to the Draft IDP cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans with key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP will be taken into a business and financial planning process leading up to the 2017/18 MTREF, based on the approved 2016/2017 MTREF, mid-year review and adjustments budget. The business planning process was subsequently refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2017/18 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2016/2017 Departmental Service Delivery and Budget. Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

## Financial Modelling and Key Planning Drivers

As part of the compilation of the 2017/18 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2017/18 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate (trends, inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2016/2017 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 85 & 86 were taken into consideration in the planning and prioritisation process.

### *Community Consultation on the Draft Budget*

The draft 2017/18 MTREF, was tabled in Council on 29 March 2017 and will be made available to the community as follows:

Copies of the document can be viewed:



- At the offices of all Area Managers
- All public libraries within the municipality

All documents in the appropriate format (electronic and printed) will be provided to National Treasury and Provincial Treasury in accordance with section 23 of the MFMA, to provide an opportunity for comment.

A delegation of the municipality, consisting of the Mayor, Councillors, Municipal Manager, Acting Chief Financial Officer and officials from the municipality, held public meetings for all the wards in the municipal area to present the draft budget to the community.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and capital projects will be considered by the Budget Steering Committee at a meeting to be held on 24 May 2017 for the finalisation of the 2017/2018 Budget. Comments from the community and the municipality's responses thereto will be included as an

## OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realised through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery. Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development.

Furthermore, integrated development planning provides a strategic environment for

managing and guiding all planning, development and decision making in the municipality. It is important that the IDP developed by municipalities correlate with

National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area.

Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities. The aim of this new five year IDP cycle is to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2015 Vision;
- National Spatial Development Perspective (NSDP);
- The National Priority Outcomes; and
- National Development Plan

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a

municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.

The following table highlights the IDP's five strategic objectives for the 2017/18 MTREF and further planning refinements that have directly informed the compilation of the budget:

### IDP Strategic Objectives

#### *SO 1: To ensure the provision of sustainable basic services to our communities*

- Electricity: To provide all planned "households "with electricity energy connection and promote use of other alternative energy.
- Water & Sewer: Address the provision and maintenance of municipal service such as water and sewage removal.
- Roads & Storm water: Address the provision and maintenance of municipal services such as roads and storm water
- Housing: To facilitate the provision of sustainable human settlement, which promote human habitation.

#### *SO 2: Conservation of the environment*

- Parks & Cemetery: Address the provision and maintenance of parks and cemeteries.
- Waste Removal: External provision, to ensure proper management of the service provider contracted to provide the service.

*SO 3: To promote a conducive environment for economic development*

- Local Economic Development: To promote a conducive environment for enterprise support and development, and foster partnership that contributes to economic development.

*SO 4: To ensure an effective and efficient financial viable municipality*

- Supply Chain Management: To ensure a credible process of procuring goods and service for the municipality.
- Expenditure: To ensure the timeous payment of all creditors within 30 days of the creditor's statement, as prescribed in Chapter 8 of the municipal Finance Management act no 56 of 2003.
- Revenue: To ensure the timeous distribution of accurate service accounts, and ensure that all money owed to the municipality are collected within 30 days.
- Budget & Treasury: Ensuring that the municipality produces a credible budget and ensuring adherence to the budget structure.
- Asset Management: To ensure the safekeeping, of all municipal assets, and ensure proper management over all assets to obtain the maximum financial benefit from these assets.
- Financial Systems: Ensuring the effective efficient management of the financial system in order to maintain accurate financial information.

*SO 5: Democratic and accountable government*

- Council: To ensure good and accountable governance, that promotes the objectives of local government as enshrined in the RSA Constitution, Chapter 7, Section 152.
- Portfolio Committees: To ensure effective and efficient Council operation and enable oversight role of Council.
- Ward Committees: To ensure effective community participation in the affairs of local government so as to deepen democracy.

## *SO 6: Municipal Transformation and Organisational Development*

- Risk Management: Is to be responsible for enterprise risk management and fraud prevention management within the Kgatelopele Municipality. This entails development of policies, strategy & processes, development of fraud prevention, facilitating and advising on risk management issues. While promoting a culture of risk management amongst managers.
- Internal Auditing: To provide independent, objective assurance and consulting services design to add value and improve Kgatelopele Municipality operations. Driven by the following values; honesty, integrity, professionalism, accountability, objectivity and empathy, while ensuring good governance.
- Integrated Development Plan: To ensure formulation/development of a credible and realistic IDP.
- Performance Management System: To ensure the implementation of performance management system and promote a performance orientated organizational culture.
- Communication & Media Relation: To enhance & promote the role of the municipality and its operations in its area of jurisdiction in ways that contribute to the process of deepening democracy by: promoting awareness of economic opportunities, improve the culture of service delivery in the public service, build & promote partnership through public participation and communicate policies & information.
- Council Secretariat: To ensure efficient and effective operation of Council, and the record keeping thereof.
- Human Resource: Promote organizational cohesion. Effective human resource development and performance development and employment equity.
- Administration: Key systems, processes and structures to support governance and operational efficiency
  - o Housing: To provide sustainable human settlement suitable for human habitation.
  - o Land: Development of erven as informed by the Spatial Development Framework

- Library Services :Sufficient library service delivered to the community
- Traffic Services: Efficient traffic service regarding vehicle registration, learners licenses and law enforcement
- Information Technology: Improved organizational stability and sustainability

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

Provision of quality basic services and infrastructure which includes, amongst others:

- Provide electricity;
- Provide water;
- Provide sanitation;
- Provide waste removal;
- Provide housing;
- Provide roads and storm water;
- Provide municipality planning services; and
- Maintaining the infrastructure of the Municipality.

Economic growth and development that leads to sustainable job creation by:

- Ensuring there is a clear structural plan for the Municipality;
- Ensuring planning processes function in accordance with set timeframes;
- Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.

Fight poverty and build clean, healthy, safe and sustainable communities:

- Effective implementation of the Indigent Policy;
- Extending waste removal services and ensuring effective municipality cleansing;
- Ensuring all waste water treatment works are operating optimally;
- Working with strategic partners such as SAPS to address crime;
- Ensuring safe working environments by effective enforcement of building and health regulations;
- Promote viable, sustainable communities through proper zoning; and
- Promote environmental sustainability by protecting wetlands and key open spaces.

#### Integrated Social Services for empowered and sustainable communities

- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme

Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:

- Optimising effective community participation in the ward committee system; and
- Implementing Batho Pele in the revenue management strategy.

Promote sound governance through:

- Publishing the outcomes of all tender processes on the municipal website

Ensure financial sustainability through:

- Reviewing the use of contracted services
- Continuing to implement the infrastructure maintenance strategy and the repairs and maintenance plan

Optimal institutional transformation to ensure capacity to achieve set objectives

- Review of the organisational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years for infrastructure planning. This process is aimed at influencing the development path to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. It provides direction to the Municipality's IDP, associated sectorial plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the new IDP of the 2017/2022 cycle, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;



- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2017/18 MTREF has therefore been directly informed by the new draft five year IDP process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 24 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

**NC086 Kgatelopele - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)**

Supporting Table 5.4: Reconciliation of IDP Strategic Objectives and Budget (Revenue)												
Strategic Objective	Goal	Goal Code	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand												
To ensure the provision of sustainable basic services to our communities	To provide all planned households with electricity, water and sewere, roads and stormwater as well as housing			3 640	45 596	84 655	86 375	86 375	86 375	55 495	55 400	70 242
Conservation of the environment	Address the provision of maintenance of parks and cemeteries, waste removal as an external provision									5 129	5 422	5 725
To promote a conducive environment for economic development	To promote a conducive environment for enterprise support and development, foster partnerships that contributes to economic development		24								–	–
To ensure an effective and efficient financial viable municipality	Ensuring credible process of procuring goods and services for the municipality under supply chain management, to enforce expenditure controls, revenue enhancement, budget and treasury, asset management and financial systems in an effective and efficient manner to maintain accurate financial information			42 596	27 846	3 416	962	962	962	29 220	30 885	32 615
Democratic and accountable government	To ensure good and accountable governance that promotes the objective of local governance i.e. portfolio committees and ward committees									5 870	6 204	6 552
Municipal transformation and organisational development	The development of policies and strategies and processess, development of fraud prevention, facilitating and advising on risk management issues while promoting a culture of risk management, to provide independent objective assurance and consulting services designed to add value in order to improve municipal operations under internal audit				1 613						–	–
Allocations to other priorities				2								
Total Revenue (excluding capital transfers and contributions)				1	46 260	75 055	88 071	87 337	87 337	95 713	97 911	115 134

**Table 25 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure**

NC086 Kgatelopele - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	Goal Code	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20	
R thousand													
To ensure the provision of sustainable basic services to our communities	To provide all planned households with electricity , water and sewere, roads and			3 640	45 596					33 803	35 082	36 035	
Conservation of the environment	Address the provision of maintenance of parks and cemeteries, waste removal as									3 432	3 628	3 831	
To promote a condusive environment for economic development	To promote a condusive environment for enterprise surpport and development,			24						794	839	886	
To ensure an effective and efficient financial viable municipality	Ensuring credible process of procuring goods and services for the municipality under			42 596	27 846					31 642	33 296	35 160	
Democratic and accountable government	To ensure good and accountable governance that promtes the objective of local									13 067	13 812	14 586	
Municipal transformation and organisational development	The development of policies and strategies and processess, development of				1 613					585	569	600	
Allocations to other priorities													
Total Expenditure				1	46 260	75 055	-	-	-	-	83 324	87 225	91 099

**Table 26 MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure**

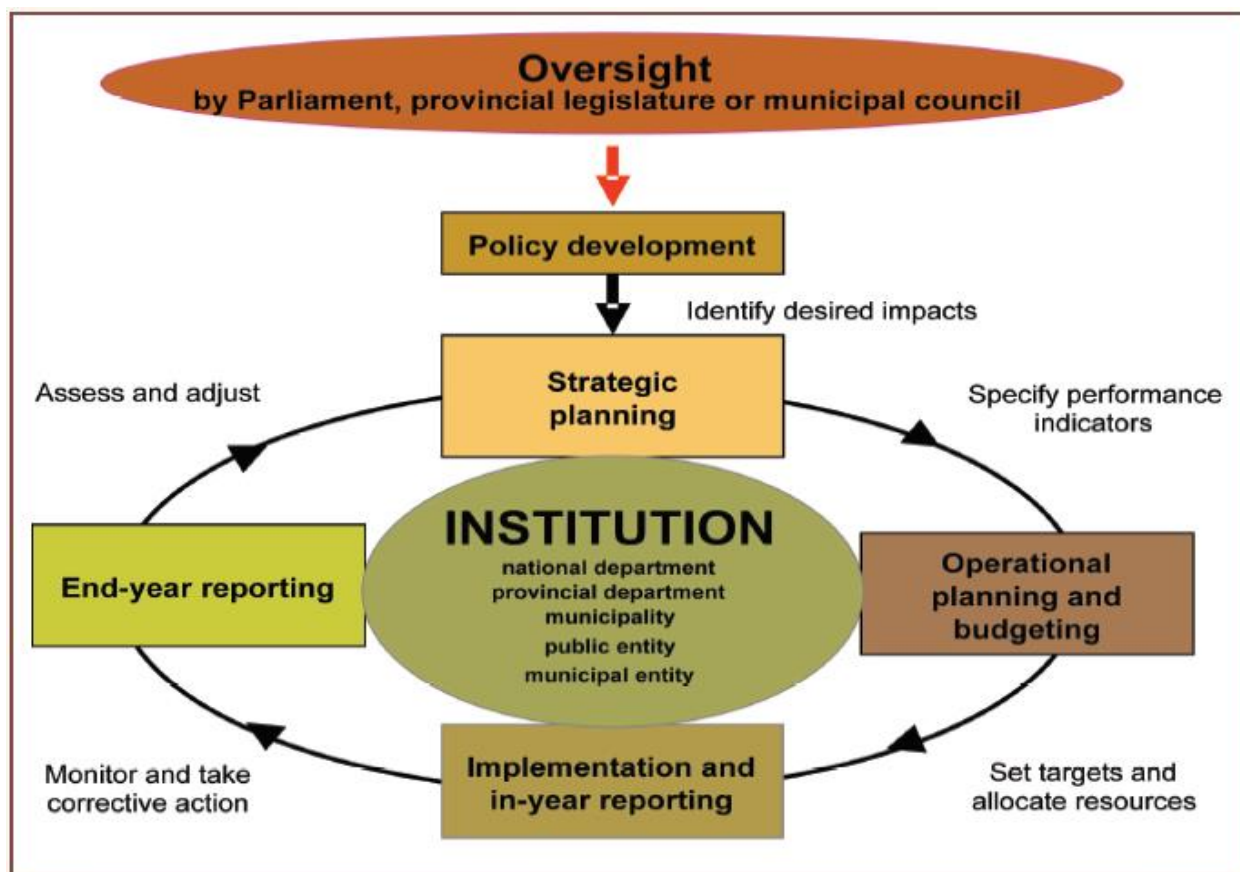
NC086 Kgatelopele - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	Goal	Goal Code	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20	
R thousand													
To ensure the provision of sustainable basic services to our communities	To provide all planed households with electricity, water and sewere, roads and	A			10 064	12 707	11 373	11 373	11 373	13 364	10 291	23 638	
Conservation of the environment	Address the provision of maintenance of parks and cemeteries, waste removal as	B					200	200	200				
To promote a condusive environment for economic development	To promote a condusive environment for enterprise surpport and development,	C			905								
To ensure an effective and efficient financial viable municipality	Ensuring credible process of procuring goods and services for the municipality under	D											
Democratic and accountable government	To ensure good and accountable gov ernance that promtes the objectiv of local	E					500	500	500	500			
Municipal transformation and organisational development	The development of policies and strategies and processess, development of	F											
		G											
Allocations to other priorities				3									
Total Capital Expenditure				1	-	10 969	12 707	12 073	12 073	12 073	13 864	10 291	23 638

## **Measurable performance objectives and indicators**

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly at each quarter, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

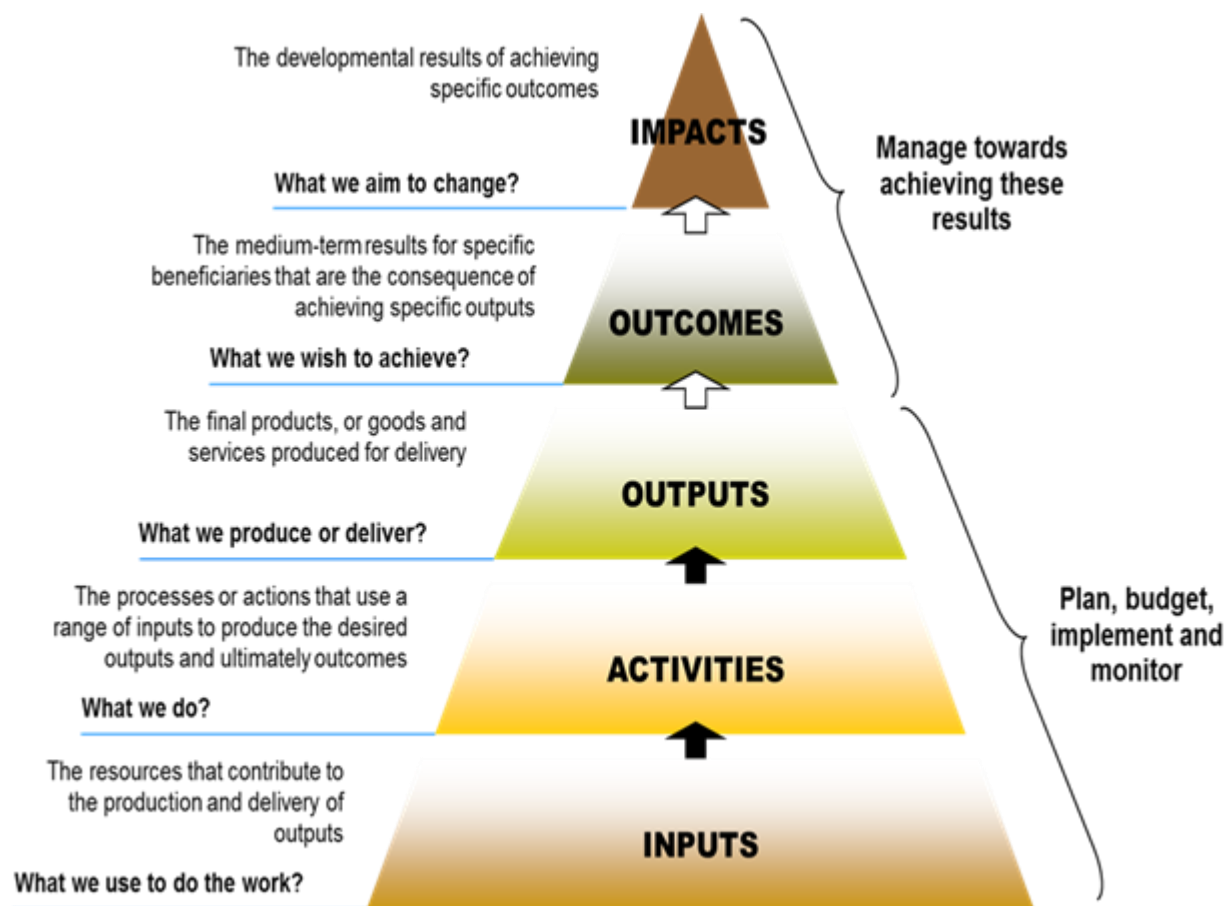


**Figure 5 Planning, budgeting and reporting cycle**

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the Framework of Managing Programme Performance Information issued by the National Treasury:



**Figure 6 Definition of performance information concepts**

**Table 27 MBRR Table SA7 - Measurable performance objectives**

NC086 Kgatelopele - Supporting Table SA7 Measureable performance objectives

Description	Unit of measurement	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Upgrading of Sewere Network</b>	Meters							100.0%	100.0%	100.0%
Sanitation										
<b>Upgrading of Sewere Network</b>										
Upgrading of bulk sewere network										
<b>Upgrading of Water Network</b>	Meters							100.0%		
Upgrading of Water Network										
<b>upgrading of electricity network</b>									100.0%	100.0%
Upgrading of network										

The following table sets out the municipalities main performance objectives and benchmarks for the 2017/18 MTREF.

**Table 28 MBRR Table SA8 - Performance indicators and benchmarks**



**NC086 Kgatelopele - Supporting Table SA8 Performance indicators and benchmarks**

Description of financial indicator	Basis of calculation	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b><u>Borrowing Management</u></b>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Safety of Capital</u></b>											
Gearing	Long Term Borrowing/ Funds & Reserves	3.7%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Liquidity</u></b>											
Current Ratio	Current assets/current liabilities	0.5	0.4	0.6	5.8	5.8	5.8	–	0.9	1.8	2.3
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.5	0.4	0.6	5.8	5.8	5.8	–	0.9	1.8	2.3
Liquidity Ratio	Monetary Assets/Current Liabilities	–	–	–	–	–	–	–	0.0	0.0	0.0
<b><u>Revenue Management</u></b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	114.1%	100.0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	21.3%	28.4%	28.8%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<b><u>Creditors Management</u></b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within 'MFMA' s 65(e))										
Creditors to Cash and Investments		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	86.8%	32.1%	18.9%
<b><u>Other Indicators</u></b>											
Electricity Distribution Losses (2)	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (2)	Total Volume Losses (kℓ)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	33.9%	34.2%	34.8%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		36.7%	37.1%	37.6%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		2.5%	2.5%	2.5%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	10.8%	10.9%	11.0%
<b><u>IDP regulation financial viability indicators</u></b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	–	–	–	–	–	–	–	146.6	152.3	158.4
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	32.3%	41.8%	42.6%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	–	–	–	–	–	–	–	4.2	6.7	9.2

## Performance indicators and benchmarks

### *Borrowing Management*

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Kgatelopele's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the Municipality's debt portfolio is dominated by annuity loans. For the 2017/2018 financial year the municipality has no intention of entering into any long term borrowings due affordability. The municipality also does not have any current long term loans that need to be serviced.

The following financial performance indicators have formed part of the compilation of the 2017/18 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing remains steady. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The municipality does not have any long term borrowing for the 2017/2018 financial year and outer years.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality.

### Indicators and ratios

The key financial indicators and ratios mentioned below are disclosed in 'Supporting Table SA8: Performance indicators and benchmarks':

- Borrowing management
- Safety of capital

- Liquidity
- Debtors' and creditors' management
- Mix of expenditure types
- Mix of revenue sources
- Unaccounted for losses in respect of services rendered

Funding measure ratios are disclosed in 'Supporting Table SA10: Funding measurement'.

### **Free Basic Services: basic social services package for indigent households**

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the municipality. Only registered indigents qualify for the free basic services.

For the 2017/18 financial year 1 700 registered indigents have been provided for in the budget with this figured increasing to 10 299 by 2019/20. In terms of the Municipality's indigent policy registered households are entitled to 6kl free water, 50 kwh of electricity, sanitation service charge and free waste removal once a week, as well as a rebate on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 23 MBRR A10 (Basic Service Delivery Measurement).

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

### **Providing clean water and managing waste water**

The municipality is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider. The municipality bulk water

provides the service by making use of its own water sources, such as boreholes. An additional reservoir was concluded in the 2016/2017 financial year.

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence. The municipality has blue drop water status.

Upgrading of the existing sewerage system is part of the multi-year project that started in the current financial year, to be concluded in the 2017/2018 financial, this will aid the municipality to meet the minimum Green Drop certification standards.

The following is briefly the main challenges facing the municipality in this regard:

- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- The municipality has almost reached its electricity capacity.

The following are some of the steps that have been taken to address these challenges:

- Infrastructure shortcomings are being addressed through the capital budget in terms of a 5-year upgrade plan through registered MIG projects;
- The filling of key personnel vacancies has commenced
- Project cost estimate has been received from Eskom for the increasing of the current capacity

## OVERVIEW OF BUDGET RELATED POLICIES

### *Overview of budget related-policies*

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

### *Customer Care and Credit Control Policy*

The 2017/18 MTREF has been prepared on the basis of achieving an average debtors' collection rate in excess of 80 per cent on current billings. The current collection rate is in excess of 45 per cent. In addition the collection of debt in excess of 90 days has been prioritised.

Changes to the credit control policy are in relation to organs of state not being allowed to be in arrears of more than 60 days. There were also changes in terms of the arrangements for businesses, arrangement will be allowed not for more than 6 months on condition that electricity is paid in full monthly.

### *Budget Policy*

The budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

### *Virement Policy*

The Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations.

### *Investment & Cash Management Policy*

The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed.

### *Tariff Policy*

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery.

Changes in the tariff policy was the exemption of churches from refuse charges. The ratio of agricultural use of land was aligned with the Property Tax Rates Act.

The following policies have also been subject to review:

- Indigent Policy;
- Travelling & Subsistence;

## OVERVIEW OF BUDGET ASSUMPTIONS

### External factors

The effects of recession are less evident than the same time two years ago. After a protracted standstill in interest rates, this has since increased. Upwards pressure is also evident in the inflation rate and the Rand continues to weaken against leading currencies. International oil prices are rising after a significant decrease over the previous months.

### *General inflation outlook and its impact on the municipal activities*

There are five key factors that have been taken into consideration in the compilation of the 2017/18

#### MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and fuel; and
- The increase in the cost of remuneration. Employee related costs comprise 36,7 per cent of total operating expenditure in the 2017/18 MTREF and therefore increases above inflation places a disproportionate upward pressure on the expenditure budget

### *Collection rate for revenue services*

The base assumption is that tariff and rating increases will increase at a rate linked to CPI over the medium term. It is also assumed that current economic conditions, and relative inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (80 per cent) of annual billings. Cash flow is assumed to be 80 per cent of billings from an increased collection of arrear debt.

The Municipality has in place a fair but rigorous credit control policy. Furthermore, its policy on indigent support means that many households who would normally struggle to pay their accounts receive free or subsidised basic services thereby keeping them free of the burden of municipal debt

#### *Growth or decline in tax base of the municipality*

Debtors' revenue is assumed to increase at a rate that is influenced by the consumer debtors' collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

The revised headline CPI forecasts from National Treasury for 2017/18, 2018/19 and 2019/20 are 6.4%, 5.7% and 5.6% respectively. The growth parameters apply to tariff increases for property rates, user and other charges raised by municipalities and municipal entities, to ensure that all spheres of government support the national macroeconomic policies. NT has communicated that any rate or tariff increase above CPI must be fully communicated to the community.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' mainly limits consumption to the level of free basic services.

#### *Salary increases*

The new collective agreement regarding salaries/wages was implemented from 1 July 2015. The 2017/18 financial year is the last year of the current agreement.

#### *Impact of national, provincial and local policies*

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:



- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

#### *Ability of the municipality to spend and deliver on the programmes*

It is estimated that a spending rate of at least 80 per cent could be achieved on operating expenditure and 100 per cent on the capital programme for the 2017/18 MTREF.

## **OVERVIEW OF BUDGET FUNDING**

### Funding the Budget

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- Realistically anticipated revenues to be collected;
- Cash backed accumulated funds from previous years' not committed for other purposes; and
- Borrowed funds, but only for the capital budget referred to in section

Achievement of this requirement in totality effectively means that a Council has 'balanced' its budget by ensuring that budgeted outflows will be offset by a combination of planned inflows. Refer to Section 4, 'Table A8: Cash backed reserves/accumulated surplus reconciliation' and Annexure 2, 'Supporting Table SA10: Funding measurement'.

## *Fiscal Overview of Kgatelopele Municipality*

Kgatelopele Municipality has over recent years facing cash-flow constrains and being grant depended. The municipality has also strived to have a high level of compliance with the Municipal Finance Management Act and other legislation directly affecting financial management. Kgatelopele has received a qualified audit report in the 2015/2016 financial year. Kgatelopele Municipality is on the pathway to meet the deadline for implementing National Treasury's MSCOA Chart of Accounts effective 1 July 2017 and will be amongst other municipalities in South Africa to do so.

The table below is a breakdown of the operating revenue

NC086 Kgatelopele - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousand</b>	1										
<b>Revenue By Source</b>											
Property rates	2	3 453	9 194	8 007	13 930	13 930	13 930	-	14 165	14 970	16 060
Service charges - electricity revenue	2	13 214	31 941	18 265	20 977	20 978	22 278	-	22 411	24 951	25 000
Service charges - water revenue	2	6 117	-	7 317	7 620	7 620	8 920	-	7 921	8 390	8 472
Service charges - sanitation revenue	2	3 840	-	4 359	3 505	3 505	4 805	-	4 324	4 589	5 066
Service charges - refuse revenue	2	5 356	-	5 885	5 694	5 694	6 994	-	6 170	6 537	6 995
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		321	235	159	98	142	142	-	137	143	150
Interest earned - external investments		1 136	102	234	167	167	167	-	216	229	230
Interest earned - outstanding debtors		-	254	606	109	109	109	-	175	185	189
Dividends received		7	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		24	8	20	25	25	25	-	1 018	1 076	1 100
Licences and permits		-	-	-	14	14	14	-	53	56	60
Agency services		-	717	2 494	204	204	204	-	700	740	770
Transfers and subsidies		34 295	21 405	24 096	22 465	20 145	20 145	-	23 042	23 802	25 126
Other revenue	2	1 856	421	242	3 792	4 002	4 002	-	2 981	1 952	2 277
Gains on disposal of PPE		-	-	-	-	-	-	-	300		
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>69 619</b>	<b>64 277</b>	<b>71 684</b>	<b>78 600</b>	<b>76 535</b>	<b>81 735</b>	<b>-</b>	<b>83 614</b>	<b>87 620</b>	<b>91 496</b>

## Expenditure on grants and reconciliations of unspent funds

### Table 28 MBRR SA19 - Expenditure on transfers and grant programmes

NC086 Kgatelopele - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousand</b>										
<b>EXPENDITURE:</b>	1									
<b>Operating expenditure of Transfers and Grants</b>										
<b>National Government:</b>		-	-	-	-	-	-	22 319	23 079	24 504
Local Government Equitable Share								18 974	20 479	21 904
Finance Management								2 345	2 600	2 600
EPWP Incentive								1 000	-	-
Municipal Systems Improvement									-	-
Other transfers/grants [insert description]										
<b>Provincial Government:</b>		-	-	-	-	-	-	723	723	622
Health subsidy								-	-	-
Sport and Recreation								723	723	622
Other transfers/grants [insert description]										
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
[insert description]										
<b>Other grant providers:</b>		-	-	3 276	-	-	-	-	-	-
ACIP (Water infrastructure)				3 276						
<b>Total operating expenditure of Transfers and Grants</b>		-	-	3 276	-	-	-	23 042	23 802	25 126
<b>Capital expenditure of Transfers and Grants</b>										
<b>National Government:</b>		-	-	-	-	-	-	8 099	10 291	23 638
Municipal Infrastructure Grant (MIG)								8 099	8 291	21 138
Integrated National Electrification Programme									2 000	2 500
<b>Provincial Government:</b>		-	-	-	-	-	-	4 000	-	-
DWAF								4 000		
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
[insert description]										
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
ACIP (Water infrastruc										
<b>Total capital expenditure of Transfers and Grants</b>		-	-	-	-	-	-	12 099	10 291	23 638
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>		-	-	3 276	-	-	-	35 141	34 093	48 764

**Table 29 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds**

NC086 Kgatelopele - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousand</b>										
<b>Operating transfers and grants:</b>	1,3									
<b>National Government:</b>										
Balance unspent at beginning of the year								-	-	-
Current year receipts								22 319	23 079	24 504
<b>Conditions met - transferred to revenue</b>		-	-	-	-	-	-	22 319	23 079	24 504
Conditions still to be met - transferred to liabilities										
<b>Provincial Government:</b>										
Balance unspent at beginning of the year										
Current year receipts								723	723	622
<b>Conditions met - transferred to revenue</b>		-	-	-	-	-	-	723	723	622
Conditions still to be met - transferred to liabilities										
<b>District Municipality:</b>										
Balance unspent at beginning of the year										
Current year receipts										
<b>Conditions met - transferred to revenue</b>		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
<b>Other grant providers:</b>										
Balance unspent at beginning of the year										
Current year receipts										
<b>Conditions met - transferred to revenue</b>		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
<b>Total operating transfers and grants revenue</b>		-	-	-	-	-	-	23 042	23 802	25 126
<b>Total operating transfers and grants - CTBM</b>	2	-	-	-	-	-	-	-	-	-
<b>Capital transfers and grants:</b>	1,3									
<b>National Government:</b>										
Balance unspent at beginning of the year								-	-	-
Current year receipts								8 099	10 291	23 638
<b>Conditions met - transferred to revenue</b>		-	-	-	-	-	-	8 099	10 291	23 638
Conditions still to be met - transferred to liabilities										
<b>Provincial Government:</b>										
Balance unspent at beginning of the year								-	-	-
Current year receipts								4 000	-	-
<b>Conditions met - transferred to revenue</b>		-	-	-	-	-	-	4 000	-	-
Conditions still to be met - transferred to liabilities										
<b>District Municipality:</b>										
Balance unspent at beginning of the year										
Current year receipts										
<b>Conditions met - transferred to revenue</b>		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
<b>Other grant providers:</b>										
Balance unspent at beginning of the year										
Current year receipts										
<b>Conditions met - transferred to revenue</b>		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
<b>Total capital transfers and grants revenue</b>		-	-	-	-	-	-	12 099	10 291	23 638
<b>Total capital transfers and grants - CTBM</b>	2	-	-	-	-	-	-	-	-	-
<b>TOTAL TRANSFERS AND GRANTS REVENUE</b>		-	-	-	-	-	-	35 141	34 093	48 764
<b>TOTAL TRANSFERS AND GRANTS - CTBM</b>		-	-	-	-	-	-	-	-	-

## Councillor and employee benefits

### Table 30 MBRR SA22 - Summary of councillor and staff benefits

NC086 Kgatelopele - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand		A	B	C	D	E	F	G	H	I
<b>Councillors (Political Office Bearers plus Other)</b>	1									
Basic Salaries and Wages								2 816	2 984	3 164
Pension and UIF Contributions								54	57	61
Medical Aid Contributions								-	-	-
Motor Vehicle Allowance								-	-	-
Cellphone Allowance								150	159	169
Housing Allowances								-	-	-
Other benefits and allowances								76	80	85
<b>Sub Total - Councillors</b>		-	-	-	-	-	-	3 095	3 281	3 477
<b>% increase</b>	4	-	-	-	-	-	-	-	6.0%	6.0%
<b>Senior Managers of the Municipality</b>	2									
Basic Salaries and Wages								2 891	3 056	3 227
Pension and UIF Contributions								5	6	6
Medical Aid Contributions								-	-	-
Overtime								-	-	-
Performance Bonus								75	79	84
Motor Vehicle Allowance	3							-	-	-
Cellphone Allowance	3							-	-	-
Housing Allowances	3							-	-	-
Other benefits and allowances	3							29	31	33
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
<b>Sub Total - Senior Managers of Municipality</b>		-	-	-	-	-	-	3 001	3 172	3 349
<b>% increase</b>	4	-	-	-	-	-	-	-	5.7%	5.6%
<b>Other Municipal Staff</b>										
Basic Salaries and Wages								16 504	17 494	18 544
Pension and UIF Contributions								3 039	3 221	3 415
Medical Aid Contributions								1 718	1 821	1 931
Overtime								1 156	1 225	1 299
Performance Bonus								1 300	1 378	1 461
Motor Vehicle Allowance	3							-	-	-
Cellphone Allowance	3							8	9	9
Housing Allowances	3							105	111	118
Other benefits and allowances	3							504	533	563
Payments in lieu of leave								200	211	223
Long service awards								25	27	28
Post-retirement benefit obligations	6							-	-	-
<b>Sub Total - Other Municipal Staff</b>		-	-	-	-	-	-	24 560	26 032	27 591
<b>% increase</b>	4	-	-	-	-	-	-	-	6.0%	6.0%
<b>Total Parent Municipality</b>		-	-	-	-	-	-	30 657	32 485	34 418
			-	-	-	-	-	-	6.0%	6.0%

**NC086 Kgatelopele - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)**

MTREF 2017/2018 – 2019/20

# MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

**Table 32 MBRR SA25 - Budgeted monthly revenue and expenditure**

NC086 Kgatelopele - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand																
Revenue By Source																
Property rates		573	573	573	573	573	573	573	573	573	573	573	7 865	14 165	14 970	16 060
Service charges - electricity revenue		2 428	2 428	2 428	2 428	2 428	3 012	1 980	2 428	2 428	2 980	2 428	(4 985)	22 411	24 951	25 000
Service charges - water revenue		603	403	603	603	735	986	303	603	603	803	403	1 274	7 921	8 390	8 472
Service charges - sanitation revenue		337	337	337	337	337	337	337	337	337	337	337	615	4 324	4 589	5 066
Service charges - refuse revenue		324	424	424	424	424	624	404	294	424	524	424	1 458	6 170	6 537	6 995
Service charges - other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		23	23	23	23	23	23	23	23	23	23	23	(113)	137	143	150
Interest earned - external investments		18	18	18	18	18	18	18	18	18	18	18	18	216	229	230
Interest earned - outstanding debtors		11	11	11	11	11	11	11	11	11	11	11	55	175	185	189
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		390	390	390	390	390	390	390	390	390	390	390	(3 275)	1 018	1 076	1 100
Licences and permits		4	4	4	4	4	4	4	4	4	4	4	8	53	56	60
Agency services		-	-	-	-	-	-	-	-	-	-	-	700	700	740	770
Transfers and subsidies		7 681	-	-	-	5 760	-	-	-	9 601	-	-	0	23 042	23 802	25 126
Other revenue		93	93	93	93	93	93	93	93	93	93	93	1 956	2 981	1 952	2 277
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	300	300	-	-
Total Revenue (excluding capital transfers and contributions)		12 485	4 704	4 904	4 904	10 797	6 071	4 136	4 774	14 505	5 756	4 704	5 875	83 614	87 620	91 496
Expenditure By Type																
Employee related costs		2 259	2 259	2 259	2 259	2 259	2 259	2 259	2 259	2 259	2 259	2 259	3 462	28 308	30 007	31 807
Remuneration of councillors		196	196	196	196	196	196	196	196	196	196	196	197	2 348	2 489	2 639
Debt impairment		-	-	-	-	-	-	-	-	-	-	-	5 774	5 774	6 103	6 345
Depreciation & asset impairment		-	-	-	-	-	-	-	-	-	-	-	9 018	9 018	9 532	10 066
Finance charges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bulk purchases		1 650	1 650	1 650	1 650	1 650	1 650	1 650	1 650	1 650	1 650	1 650	(729)	17 423	18 416	19 447
Other materials		152	152	152	152	152	152	152	152	152	152	152	395	2 069	2 187	2 210
Contracted services		661	661	661	661	661	661	661	661	661	661	661	(937)	6 328	6 689	7 063
Transfers and subsidies		716	716	716	716	716	716	716	716	716	716	716	(7 875)	-	-	-
Other expenditure		468	468	468	468	468	468	468	468	468	468	468	6 905	12 055	11 803	11 522
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		6 101	6 101	6 101	6 101	6 101	6 101	6 101	6 101	6 101	6 101	6 101	16 208	83 324	87 225	91 099
Surplus/(Deficit)		6 383	(1 397)	(1 197)	(1 197)	4 695	(30)	(1 965)	(1 327)	8 403	(345)	(1 397)	(10 333)	291	394	397
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		5 025				4 005				3 069			0	12 099	10 291	23 638
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)													-	-	-	-
Transfers and subsidies - capital (in-kind - all)													-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		11 408	(1 397)	(1 197)	(1 197)	8 700	(30)	(1 965)	(1 327)	11 472	(345)	(1 397)	(10 333)	12 390	10 685	24 035
Taxation													-	-	-	-
Attributable to minorities													-	-	-	-
Share of surplus/ (deficit) of associate													-	-	-	-
Surplus/(Deficit)	1	11 408	(1 397)	(1 197)	(1 197)	8 700	(30)	(1 965)	(1 327)	11 472	(345)	(1 397)	(10 333)	12 390	10 685	24 035

**Table 33 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)**

NC086 Kgatelopele - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)

Description	Ref	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand																
<b>Revenue by Vote</b>																
Vote 1 - EXECUTIVE AND COUNCIL		9	9	9	9	9	9	9	9	9	9	(11)	90	90	101	
Vote 2 - MUNICIPAL MANAGER		25	25	28	21	25	22	25	25	25	25	(246)	27	29	33	
Vote 3 - CORPORATE SERVICES		5 005	4	4	3	5	4	4	4	4	4	(2 605)	2 441	2 539	2 492	
Vote 4 - BUDGET AND TREASURY		2 754	1 108	1 108	1 079	6 834	1 096	1 108	1 083	10 700	1 083	1 074	8 067	37 091	39 017	41 684
Vote 5 - TECHNICAL SERVICES		4 692	3 558	3 755	3 792	3 924	4 959	2 990	3 653	3 767	4 635	3 592	12 595	55 910	56 076	70 653
Vote 6 - COMMUNITY AND PUBLIC SERVICES													153	153	162	171
Vote 7 - [NAME OF VOTE 7]													-	-	-	-
Vote 8 - [NAME OF VOTE 8]													-	-	-	-
Vote 9 - [NAME OF VOTE 9]													-	-	-	-
Vote 10 - [NAME OF VOTE 10]													-	-	-	-
Vote 11 - [NAME OF VOTE 11]													-	-	-	-
Vote 12 - [NAME OF VOTE 12]													-	-	-	-
Vote 13 - [NAME OF VOTE 13]													-	-	-	-
Vote 14 - [NAME OF VOTE 14]													-	-	-	-
Vote 15 - [NAME OF VOTE 15]													-	-	-	-
<b>Total Revenue by Vote</b>		<b>12 485</b>	<b>4 704</b>	<b>4 904</b>	<b>4 904</b>	<b>10 797</b>	<b>6 091</b>	<b>4 136</b>	<b>4 774</b>	<b>14 505</b>	<b>5 756</b>	<b>4 704</b>	<b>17 952</b>	<b>95 713</b>	<b>97 912</b>	<b>115 133</b>
<b>Expenditure by Vote to be appropriated</b>																
Vote 1 - EXECUTIVE AND COUNCIL		294	294	294	294	294	294	294	294	294	294	294	464	3 693	3 927	4 133
Vote 2 - MUNICIPAL MANAGER		388	388	388	388	388	388	388	388	388	388	388	816	5 082	5 392	4 415
Vote 3 - CORPORATE SERVICES		493	493	493	493	493	493	493	493	493	493	493	1 007	6 431	6 783	7 075
Vote 4 - BUDGET AND TREASURY		2 583	2 583	2 583	2 583	2 583	2 583	2 583	2 583	2 583	2 583	2 583	3 735	32 147	34 126	33 428
Vote 5 - TECHNICAL SERVICES		3 049	3 049	3 049	3 049	3 049	3 049	3 049	3 049	3 049	3 049	3 049	12 282	45 821	44 906	63 159
Vote 6 - COMMUNITY AND PUBLIC SERVICES													2 249	2 249	2 384	2 527
Vote 7 - [NAME OF VOTE 7]													-	-	-	-
Vote 8 - [NAME OF VOTE 8]													-	-	-	-
Vote 9 - [NAME OF VOTE 9]													-	-	-	-
Vote 10 - [NAME OF VOTE 10]													-	-	-	-
Vote 11 - [NAME OF VOTE 11]													-	-	-	-
Vote 12 - [NAME OF VOTE 12]													-	-	-	-
Vote 13 - [NAME OF VOTE 13]													-	-	-	-
Vote 14 - [NAME OF VOTE 14]													-	-	-	-
Vote 15 - [NAME OF VOTE 15]													-	-	-	-
<b>Total Expenditure by Vote</b>		<b>6 806</b>	<b>6 806</b>	<b>6 806</b>	<b>6 806</b>	<b>6 806</b>	<b>6 806</b>	<b>6 806</b>	<b>6 806</b>	<b>6 806</b>	<b>6 806</b>	<b>6 806</b>	<b>20 552</b>	<b>95 423</b>	<b>97 517</b>	<b>114 737</b>
<b>Surplus/(Deficit) before assoc.</b>		<b>5 678</b>	<b>(2 102)</b>	<b>(1 902)</b>	<b>(1 903)</b>	<b>3 990</b>	<b>(715)</b>	<b>(2 670)</b>	<b>(2 032)</b>	<b>7 699</b>	<b>(1 050)</b>	<b>(2 102)</b>	<b>(2 600)</b>	<b>290</b>	<b>395</b>	<b>396</b>
Taxation													-	-	-	-
Attributable to minorities													-	-	-	-
Share of surplus/ (deficit) of associate													-	-	-	-
<b>Surplus/(Deficit)</b>	<b>1</b>	<b>5 678</b>	<b>(2 102)</b>	<b>(1 902)</b>	<b>(1 903)</b>	<b>3 990</b>	<b>(715)</b>	<b>(2 670)</b>	<b>(2 032)</b>	<b>7 699</b>	<b>(1 050)</b>	<b>(2 102)</b>	<b>(2 600)</b>	<b>290</b>	<b>395</b>	<b>396</b>



**Table 34 MBRR SA27 - Budgeted monthly revenue and expenditure (functional classification)**

NC086 Kgatelopele - Supporting Table SA27 Budgeted monthly revenue and expenditure (functional classification)

Description	Ref	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Revenue - Functional</b>																
<b>Governance and administration</b>		2 474	2 474	2 474	2 474	2 474	2 474	2 474	2 474	2 474	2 474	2 474	9 998	37 208	39 135	41 818
Executive and council		35	35	35	35	35	35	35	35	35	35	35	(262)	117	119	134
Finance and administration		2 439	2 439	2 439	2 439	2 439	2 439	2 439	2 439	2 439	2 439	2 439	10 260	37 091	39 017	41 684
Internal audit		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		64	64	64	64	64	64	64	64	64	64	64	64	766	769	671
Community and social services		64	64	64	64	64	64	64	64	64	64	64	64	766	769	671
Sport and recreation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		495	495	495	495	495	495	495	495	495	495	495	(2 570)	2 871	1 978	2 041
Planning and development		104	104	104	104	104	104	104	104	104	104	104	5	1 153	162	171
Road transport		390	390	390	390	390	390	390	390	390	390	390	(2 575)	1 718	1 816	1 870
Environmental protection		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		3 792	3 792	3 792	3 792	3 792	3 792	3 792	3 792	3 792	3 792	3 792	13 155	54 867	56 030	70 605
Energy sources		2 428	2 428	2 428	2 428	2 428	2 428	2 428	2 428	2 428	2 428	2 428	(3 391)	23 317	27 819	28 471
Water management		603	603	603	603	603	603	603	603	603	603	603	5 339	11 971	8 442	21 202
Waste water management		337	337	337	337	337	337	337	337	337	337	337	9 700	13 410	13 231	13 938
Waste management		424	424	424	424	424	424	424	424	424	424	424	1 507	6 169	6 538	6 995
<b>Other</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>		6 824	6 824	6 824	6 824	6 824	6 824	6 824	6 824	6 824	6 824	6 824	20 647	95 713	97 912	115 134
<b>Expenditure - Functional</b>																
<b>Governance and administration</b>		3 577	3 577	3 577	3 577	3 577	3 577	3 577	3 577	3 577	3 577	3 577	6 004	45 351	48 148	46 985
Executive and council		647	647	647	647	647	647	647	647	647	647	647	1 303	8 424	8 947	8 160
Finance and administration		2 896	2 896	2 896	2 896	2 896	2 896	2 896	2 896	2 896	2 896	2 896	4 723	36 575	38 829	38 436
Internal audit		34	34	34	34	34	34	34	34	34	34	34	(23)	352	372	388
<b>Community and public safety</b>		134	134	134	134	134	134	134	134	134	134	134	426	1 894	1 963	1 917
Community and social services		60	60	60	60	60	60	60	60	60	60	60	60	723	723	622
Sport and recreation		73	73	73	73	73	73	73	73	73	73	73	366	1 171	1 240	1 295
Public safety		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		648	648	648	648	648	648	648	648	648	648	648	1 678	8 802	8 267	7 761
Planning and development		541	541	541	541	541	541	541	541	541	541	541	1 572	7 522	6 910	6 317
Road transport		107	107	107	107	107	107	107	107	107	107	107	106	1 280	1 356	1 445
Environmental protection		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		2 448	2 448	2 448	2 448	2 448	2 448	2 448	2 448	2 448	2 448	2 448	12 444	39 376	39 139	58 074
Energy sources		1 831	1 831	1 831	1 831	1 831	1 831	1 831	1 831	1 831	1 831	1 831	(538)	19 599	22 721	24 362
Water management		163	163	163	163	163	163	163	163	163	163	163	4 141	5 931	2 045	14 892
Waste water management		242	242	242	242	242	242	242	242	242	242	242	8 351	11 016	11 381	11 757
Waste management		213	213	213	213	213	213	213	213	213	213	213	489	2 830	2 992	7 063
<b>Other</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Functional</b>		6 806	6 806	6 806	6 806	6 806	6 806	6 806	6 806	6 806	6 806	6 806	20 551	95 423	97 517	114 737
<b>Surplus/(Deficit) before assoc.</b>		18	18	18	18	18	18	18	18	18	18	18	96	290	395	397
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit)</b>	1	18	18	18	18	18	18	18	18	18	18	18	96	290	395	397

**Table 34 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)**

NC086 Kgatelopele - Supporting Table SA28 Budgeted monthly capital expenditure (municipal vote)

Description	Ref	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand																
Capital multi-year expenditure sub-total	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated																
Vote 1 - EXECUTIVE AND COUNCIL				500									-	500	-	-
Vote 2 - MUNICIPAL MANAGER													-	-	-	-
Vote 3 - CORPORATE SERVICES													-	-	-	-
Vote 4 - BUDGET AND TREASURY													65	65	-	-
Vote 5 - TECHNICAL SERVICES		1 008	1 008	1 273	1 008	2 008	1 008	1 008	1 008	1 008	1 008	1 008	943	13 299	10 291	23 638
Vote 6 - COMMUNITY AND PUBLIC SERVICES													-	-	-	-
Vote 7 - [NAME OF VOTE 7]													-	-	-	-
Vote 8 - [NAME OF VOTE 8]													-	-	-	-
Vote 9 - [NAME OF VOTE 9]													-	-	-	-
Vote 10 - [NAME OF VOTE 10]													-	-	-	-
Vote 11 - [NAME OF VOTE 11]													-	-	-	-
Vote 12 - [NAME OF VOTE 12]													-	-	-	-
Vote 13 - [NAME OF VOTE 13]													-	-	-	-
Vote 14 - [NAME OF VOTE 14]													-	-	-	-
Vote 15 - [NAME OF VOTE 15]													-	-	-	-
Capital single-year expenditure sub-total	2	1 008	1 008	1 773	1 008	2 008	1 008	1 008	1 008	1 008	1 008	1 008	1 008	13 864	10 291	23 638
Total Capital Expenditure	2	1 008	1 008	1 773	1 008	2 008	1 008	1 008	1 008	1 008	1 008	1 008	1 008	13 864	10 291	23 638

**Table 35 MBRR SA29 - Budgeted monthly capital expenditure (functional classification)**

NC086 Kgatelopele - Supporting Table SA29 Budgeted monthly capital expenditure (functional classification)

Description	Ref	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Capital Expenditure - Functional</b>	1															
<i>Governance and administration</i>		-	500	-	-	-	-	-	-	-	-	-	-	500	-	-
Executive and council			500											500	-	-
Finance and administration														-	-	-
Internal audit														-	-	-
<i>Community and public safety</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community and social services														-	-	-
Sport and recreation														-	-	-
Public safety														-	-	-
Housing														-	-	-
Health														-	-	-
<i>Economic and environmental services</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Planning and development														-	-	-
Road transport														-	-	-
Environmental protection														-	-	-
<i>Trading services</i>		4 055	22	22	200	5 033	-	-	-	4 033	-	-	0	13 364	10 291	23 638
Energy sources						1 000								1 000	2 000	2 500
Water management		1 355	22	22	200	1 333				1 333			0	4 265	-	12 644
Waste water management		2 700				2 700				2 700			0	8 099	8 291	8 494
Waste management														-	-	-
<i>Other</i>														-	-	-
<b>Total Capital Expenditure - Functional</b>	2	4 055	522	22	200	5 033	-	-	-	4 033	-	-	0	13 864	10 291	23 638
<b>Funded by:</b>																
National Government		4 033				4 033				4 033			-	12 099	10 291	23 638
Provincial Government														-	-	-
District Municipality														-	-	-
Other transfers and grants														-	-	-
Transfers recognised - capital		4 033	-	-	-	4 033	-	-	-	4 033	-	-	-	12 099	10 291	23 638
Public contributions & donations														-	-	-
Borrowing														-	-	-
Internally generated funds		147	147	147	147	147	147	147	147	147	147	147	147	1 765	-	-
<b>Total Capital Funding</b>		4 180	147	147	147	4 180	147	147	147	4 180	147	147	147	13 864	10 291	23 638

# Table 36 MBRR SA30 - Budgeted monthly cash flow

NC086 Kgatelopele - Supporting Table SA30 Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Cash Receipts By Source</b>													1		
Property rates	495	501	523	780	650	439	598	577	765	479	497	7 861	14 165	14 970	16 060
Service charges - electricity revenue	2 319	2 319	2 319	1 600	1 700	1 800	1 880	160	2 319	2 319	2 319	1 356	22 411	24 951	25 000
Service charges - water revenue	599	599	599	599	599	599	599	599	599	599	599	1 335	7 921	8 390	8 472
Service charges - sanitation revenue	255	255	255	255	255	255	255	255	255	255	255	1 519	4 324	4 589	5 066
Service charges - refuse revenue	424	424	424	424	424	424	424	424	424	424	424	1 508	6 170	6 537	6 995
Service charges - other												-	-	-	-
Rental of facilities and equipment	8	9	10	11	18	15	12	7	19	18	10	(0)	137	143	150
Interest earned - external investments	18	18	18	18	18	18	18	18	18	18	18	18	216	229	230
Interest earned - outstanding debtors	11	11	11	11	11	11	11	11	11	11	11	55	175	185	189
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	100	120	90	80	80	150	40	20	50	35	60	193	1 018	1 076	1 100
Licences and permits	4	4	4	4	4	4	4	4	4	4	4	8	53	56	60
Agency services	-	-	-	-	-	-	-	-	-	-	-	700	700	740	770
Transfer receipts - operational	8 681				7 181				7 181			0	23 042	23 802	25 126
Other revenue	288	288	288	288	15	288	160	288	250	288	288	249	2 981	1 952	2 277
<b>Cash Receipts by Source</b>	<b>13 202</b>	<b>4 548</b>	<b>4 541</b>	<b>4 070</b>	<b>10 955</b>	<b>4 003</b>	<b>4 001</b>	<b>2 363</b>	<b>11 895</b>	<b>4 450</b>	<b>4 485</b>	<b>14 801</b>	<b>83 314</b>	<b>87 619</b>	<b>91 495</b>
<b>Other Cash Flows by Source</b>															
Transfer receipts - capital	4 033				4 033				4 033			-	12 099	10 291	23 638
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)												-	-	-	-
Proceeds on disposal of PPE												300	300		
Short term loans												-	-	-	-
Borrowing long term/refinancing												-	-	-	-
Increase (decrease) in consumer deposits												-	-	-	-
Decrease (increase) in non-current debtors												7 748	7 748		
Decrease (increase) other non-current receivables												-	-	-	-
Decrease (increase) in non-current investments												-	-	-	-
<b>Total Cash Receipts by Source</b>	<b>17 235</b>	<b>4 548</b>	<b>4 541</b>	<b>4 070</b>	<b>14 988</b>	<b>4 003</b>	<b>4 001</b>	<b>2 363</b>	<b>15 928</b>	<b>4 450</b>	<b>4 485</b>	<b>22 849</b>	<b>103 461</b>	<b>97 910</b>	<b>115 133</b>
<b>Cash Payments by Type</b>															
Employee related costs	2 259	2 259	2 259	2 259	2 259	2 259	2 259	2 259	2 259	2 259	2 259	3 463	28 308	30 007	31 807
Remuneration of councillors	196	196	196	196	196	196	196	196	196	196	196	196	2 348	2 489	2 639
Finance charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bulk purchases - Electricity	2 000	1 650	1 200	1 650	1 500	1 500	1 650	1 650	1 100	1 100	1 500	922	17 423	18 416	19 447
Bulk purchases - Water & Sewer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other materials	152	152	152	152	152	152	152	152	152	152	152	395	2 069	2 187	2 210
Contracted services	527	527	527	527	527	527	527	527	527	527	527	531	6 328	6 689	7 063
Transfers and grants - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and grants - other												-	-	-	-
Other expenditure	468	468	468	468	468	468	468	468	468	468	468	6 904	12 055	11 803	11 522
<b>Cash Payments by Type</b>	<b>5 602</b>	<b>5 252</b>	<b>4 802</b>	<b>5 252</b>	<b>5 102</b>	<b>5 102</b>	<b>5 252</b>	<b>5 252</b>	<b>4 702</b>	<b>4 702</b>	<b>5 102</b>	<b>12 411</b>	<b>68 531</b>	<b>71 591</b>	<b>74 688</b>
<b>Other Cash Flows/Payments by Type</b>															
Capital assets	4 033				4 033				4 033			-	12 099	10 291	23 638
Repayment of borrowing												-	-	-	-
Other Cash Flows/Payments												-	-	-	-
<b>Total Cash Payments by Type</b>	<b>9 635</b>	<b>5 252</b>	<b>4 802</b>	<b>5 252</b>	<b>9 135</b>	<b>5 102</b>	<b>5 252</b>	<b>5 252</b>	<b>8 735</b>	<b>4 702</b>	<b>5 102</b>	<b>12 411</b>	<b>80 630</b>	<b>81 882</b>	<b>98 326</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>7 600</b>	<b>(704)</b>	<b>(261)</b>	<b>(1 182)</b>	<b>5 853</b>	<b>(1 099)</b>	<b>(1 251)</b>	<b>(2 889)</b>	<b>7 193</b>	<b>(252)</b>	<b>(617)</b>	<b>10 438</b>	<b>22 831</b>	<b>16 029</b>	<b>16 807</b>
Cash/cash equivalents at the month/year begin:		7 600	6 896	6 636	5 454	11 307	10 208	8 957	6 068	13 261	13 009	12 393	-	22 831	38 859
Cash/cash equivalents at the month/year end:	7 600	6 896	6 636	5 454	11 307	10 208	8 957	6 068	13 261	13 009	12 393	22 831	22 831	38 859	55 666

## **Annual budgets and SDBIP**

The draft SDBIP will be tabled as a separate item at the Council meeting held on 29 March 2017.

## **Capital Expenditure Details**

Capital details are shown in Annexure 1 and 2 on following tables:

- 'Main Table A5: Capex (capital expenditure)'
- Main Table A9: Asset Management (capital expenditure, Asset Register, Depreciation, and R&M)'
- 'Supporting Table SA6: Reconciliation of IDP strategic objectives and budget (capital expenditure)'
- 'Supporting Table SA28: Monthly Capital Expenditure by Municipal Vote (capital expenditure)'
- 'Supporting Table SA29: Monthly Capital Expenditure by GFS and Funding Source (capital expenditure)'
- 'Supporting Table SA34a: Capital expenditure on new assets by asset class'
- 'Supporting Table SA34b: Capital expenditure on the renewal of existing assets by asset class'
- 'Supporting Table SA36: Detailed capital budget'

## LEGISLATION COMPLIANCE STATUS

The disclosure on legislation compliance must provide a brief summary of the status of the implementation of legislation applicable to municipalities, including progress made or delays experienced in implementation.

### *Municipal Finance Management Act - No 56 of 2003*

The MFMA became effective on 1st July 2004. It covers all aspects of municipal finance including budgeting, supply chain management and financial reporting.

### *The MFMA and the budget*

The following explains the budgeting process in terms of the requirements in the MFMA. It is based on National Treasury's guide to the MFMA. The MFMA requires a Council to adopt three-year capital and operating budgets that take into account, and are linked to, the municipality's current and future development priorities and other finance-related policies (such as those relating to free basic service provision).

These budgets must clearly set out revenue by source and expenditure by vote over three years and must be accompanied by performance objectives for revenue and expenditure, a cash flow statement and any particulars on borrowings, investments, municipal entities, service delivery agreements, grant allocations and details of employment costs.

The budget may be funded only from reasonable estimates of revenue and cash-backed deficit funds from the previous year and borrowings (the latter for capital items only).

### *Other Legislation*

In addition to the MFMA, the following legislation also influences Municipality budgeting;

### The Division of Revenue Act and Provincial Budget Announcements

Three year national allocations to local government are published per municipality each year in the Division of Revenue Act. The Act places duties on municipalities in addition to the requirements of the MFMA, specifically with regard to reporting obligations. Allocations to the Municipality from Provincial Government are announced and published in the Provincial budget.

Section 18 of the MFMA states, “annual budgets may only be funded from reasonably anticipated revenues to be collected”. The provision in the budget for allocations from National and Provincial Government should reflect the allocations announced in the DORA or in the relevant Provincial Gazette.

The Municipal Systems Act - No 32 of 2000 and Municipal Systems Amendment Act no 44 of 2003

One of the key objectives of the Municipal Systems Act is to ensure financially and economically viable communities. The requirements of the Act link closely to those of the MFMA. In particular, the following requirements need to be taken into consideration in the budgeting process;

- Chapters 4 and 5 relating to community participation and the requirements for the Integrated Development Planning process.
- Chapter 6 relates to performance management which links with the requirements for the budget to contain measurable performance objectives and quarterly performance targets in the Service Delivery and Budget Implementation Plan.
- Chapter 8 relates to the requirement to produce a tariff policy. Section 20 – Other supporting documents.

## **Other supporting documents**

Various supporting documents are attached to enable the reader a fuller understanding of the various processes involved. These are the following:

### **Annexure 1 – 2017-2018 MTREF Main Budget Tables version 6.1**

Tables A1 to A10

### **Annexure 2 – 2017-2018 MTREF Supporting Budget Tables version 6.1**

Supporting Tables SA1 to SA37

### **Annexure 3 – Three prior years outcome and current year main Supporting Budget Tables**

### **Annexure 4 –2017/2018 NT Circular and guidelines**

Circular 82, 85 and 86 as well as NERSA guidelines

### **Annexure 5 – Tariffs\*, Charges and Fees for 2017/2018**

#### **Annexure 5 – Policies**

- Budget
- Virement
- Unauthorised, fruitless and wasteful expenditure
- Cash, liability & investment management
- Credit control
- Funding & reserves
- Indigent Policy
- Property rates
- Supply chain management
- Tariff